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SURVEY OF THE INDUSTRIES OF CHINA

Development of Light Industries—Electric Power Production—Operation of Railways—Plans For Reconstruction and Industrial Expansion

By James A. Rabbitt

THE HISTORICAL BACKGROUND OF CHINA'S INDUSTRIES

Most Chinese achieve wonders in their beehive industries which are attached to almost every retail shop and depend so much upon the frugality and skill of the individual shopkeeper and his family for production of a wide variety of goods by household handcraft. "The industrious Chinese" is a byword which misleads many into thinking that the Chinese are naturally equipped for the development of modern industry. However, there has been a dearth of the technical and scientific knowledge and the character that is necessary to build corporate enterprises operating modern industrial plants for the replacement of domestic handicrafts.

Since the latter half of the eighteenth and early nineteenth centuries, particularly since the forceful opening of China's markets to Western trade and coincident with the establishment of foreign enterprise in China's coastal cities, there has been a gradual breakdown of Chinese feudalism and with it a breakdown of the divisions between the numerous small handcraft shops and the substitution therefor of larger organized establishments having control of a greater supply of capital, raw materials and mechanical devices, as elements of modern economic society.

These changes have been very slow in China, handicapped by the prevalence of usury, gambling, and the emphasis placed on the "importance of living", which is so highly praised by Dr. Lin Yutang.

By Imperial edict, foreign trade had been, prior to 1833, confined to the port of Canton where 26 specially selected merchants dealt with the various nationals who were confined to six buildings called factories. Trouble

arose between the Chinese and certain of the foreign nationals because of Chinese edicts against the importation of opium as a result of which the so-called opium wars were started in 1833 and ended disastrously for the Chinese in 1841.

With concessions and extra-territoriality granted Westerners, through treaties, China was reduced to a semi-colonial status, and foreign business enterprises in the port cities led to the establishment in the treaty port areas of foreign, foreign-Chinese, or Chinese-owned industries that formed the basis of China's industrial structure until the attack by Japan in 1937.

The first attempt to bring modern industry to China as a whole was introduced by Dr. Sun Yat-sen in his "International Development of China", published ten years after the overthrow of the Manchu Dynasty in 1911. Dr. Sun's plan was idealistic in its conception, but it came at a time when counter-revolution was rife because of the chaotic state which existed when the young republic was established.

This situation, which led to a series of Internecine wars, had not subsided when Dr. Sun introduced his plan for the "International and Industrial Development of China."

The revolutionary forces, had, some time prior to Dr. Sun Yat-sen's death, in 1925, made some progress in the establishment of light industry, having increased the number of Chinese-owned factories using mechanical power from 600 in 1913 to nearly 2,000 in 1921. The number of Chinese corporate enterprises continued to increase in close contact with similar organizations financed and controlled by foreign interests. Owing to the incomplete and inadequately administered Chinese Corporation Law, most Chinese capital preferred to operate under foreign incorporation.

INDUSTRIAL DEVELOPMENT, 1926-1936

Some idea of the extent to which industrialization had taken place in China both with Chinese and foreign capital as of 1926 may be obtained from the following Table:—

Chinese Industrial Development—1926

Items	China	United States
Railways	6,500 miles	265,000
Surfaced motor roads	less than 1,000 miles	300,000
Graded dirt roads	10,000 (estimate)	1,000,000
Motor vehicles in operation	15,000	18,000,000
Telephones	100,000	17,000,000
Post Offices	11,000	52,000
Telegraphs, length of wires	78,000 miles	1,500,000
Telegraph offices	900	25,000
Annual coal production	20,000,000 tons	500,000,000
Pig-iron production	300,000	27,000,000
Cotton-weaving spindles	3,000,000	36,000,000
Hydro-electric power	Nil.	17,000,000,000
Laborers in modern industrial plants	500,000	7,000,000

The Kuomintang Government under Chiang Kai-shek began the development of industry under Government control by the organization of the National Resources Commission in 1932. In March, 1935, the National Resources Commission, issued a Three Year Industrialization program calling for an investment of 230 million yuan, of which 72 million was to be appropriated by the Central Government and the balance to be secured through foreign loans. The plan included ten projects as follows:—

Plants	Annual Capacity
1. Tungsten refining plant	2,000 tons
2. Steel works in Hsiangtan & Maanshan	300,000 tons
3. Iron mines in Linhsiang & Kialing	300,000 tons
4. Copper mines in Tayeh, Yanghsin, Penghsien	3,600 tons
5. Lead & Zinc in Shuikoushan & Kwehsien	5,000 tons
6. Coal in Kaokang, Tienho, etc.	1,500,000 tons
7. Oil plants	25,000,000 gals.
8. Nitrogen plants	50,000 tons
9. Machine factories for aircraft engines	—
10. Electric factories	—

This represented the first concrete program by the Government of China towards industrialization, excluding Manchuria, which was under complete control of the Japanese.

While the National Resources Commission was forced to suspend activities on the completion of the projected Three Year Plan, credit is due it and the National Government for carrying out under the Industrial and Mining Adjustment Administration the removal of private factories from war areas and their re-establishment and expansion in Free China.

WARTIME INDUSTRIALIZATION. 1937-1945

One of the most lasting benefits to China as a result of the war will probably be the redistribution of the domestic, industrial and agricultural economy through which new industrial centers have been established in the heretofore undeveloped western provinces, particularly Szechwan, (in the famous Red Basin) and also Sinkiang which has been termed the gateway to Asia (from U.S.S.R.). The effect of this on the future of China will undoubtedly be as great as the discovery of gold in California in '49 was on the economic development of the United States.

Provincial Development enterprises have been established to work under the N.R.C. as shown by the following list:—

Name of Corporation	Year of Inauguration	Capital in millions of Yuan
Kweichow Development Corp.	1939	15
Fukien Development Corp.	1940	35
Shensi Development Corp.	1940	20
Anhui Development Corp.	1941	10
Kwangsi Development Corp.	1941	30
Kwangtung Development Corp.	1941	40
Kiangsi Development Corp.	not given	not given
Yunnan Enterprise Bureau	1941	not given
Szechwan-Sikang Development Corp.	1942	70
West Yunnan Development Corp.	not given	40
Kansu Development Corp.	1942	20
Hupeh Development Corp.	not given	50
Suiyuan Development Corp.	1942	5
Sikang Development Corp.	1941	70

These Provincial corporations were organized for the purpose of exploiting resources in mining as well as for the establishment of industry.

One of the most significant factors in industrial development was the report from Chungking in 1943 that the manufacturers held a conference for the discussion of their problems, which marks a new era in Chinese industrialization.

LIGHT INDUSTRIES

Introduction

Such modern industries as had developed were almost exclusively light industries with textiles dominant. Some progress had been made in the establishment of other light industries, including flour, sugar, etc., but in the heavy industries such as iron and steel, machinery, shipbuilding, electric power, etc., and even in such light industries as woolen, glass, paper and sugar, China was dependent on imports of from 50 to 75 percent of her requirements.

Of economic importance is the fact that even so-called modern industries in China were engaged principally in the preliminary processing of raw materials, such as cotton and silk, while the final manufacture into consumers' goods was done by handcraft workers, using primitive equipment. This practice prevailed even in the foreign manufacturing enterprises in China.

Cotton Industry

By 1926, of three million cotton spindles in operation in China, 40 per cent. represented mills controlled by the Japanese, while the British controlled approximately 10 per cent. and the Chinese controlled the balance. Even plants that were under Chinese name, however, were largely mortgaged to Japanese capital and operated with Japanese advisors. Of the 22,500 power looms in operation in 1936, 13,700 were owned and controlled by the Chinese, 6,000 by the Japanese and 3,000 by the British. Shanghai and vicinity have become the centre of the

modern cotton manufacturing industry of China, followed by Hankow, Tientsin and Tsingtao.

Even prior to Japan's attack on China in 1937, the Japanese had obtained economic domination over many forms of industrial enterprise in China, particularly cotton. With the outbreak of hostilities, the Japanese seized all factories and operated them with native cotton. In this manner, by January, 1941, the Japanese had control over practically all cotton mills in North and Central China except for five British and 22 Chinese factories in the International Settlement.

A private estimate put the total number of cotton spindles in Free China in 1943 at 245,000, about 75,000 more than in 1941. The number of spindles in the wool industry had been increased by about 3,000 during the same period. At full capacity, the cotton spindles would produce over 190,000 bales per year.

Tung Oil Industry

Like most other native industries in China, wood oil is produced by many individuals, none of whom control a large number of trees or extensive facilities for pressing the oil from the nuts. Consequently, foreigners have not been able to break into this business. However, facilities have been especially provided in Hankow for refining the oil manufactured by native processes.

The producing regions in China are the Central and Upper Yangtze districts, Szechwan, Kiangsi, Hunan, Hupeh, Kweichow, Kwangsi and Kwangtung. The nuts are grown on the tungyu trees of two varieties: Aleurites fordii, and Aleurites montana. These trees bear nuts within five years after being planted from seeds, the yield varying from one to five bushels of unhulled nuts per tree. The Chinese, with their crude methods, secure only about 20% of oil from the nuts whereas American tung-oil seeds properly handled, will produce 34% of oil. Nevertheless, the quality of Chinese tung oil is superior to that of the tung oil produced in the United States.

Chinese tung oil is indispensable to the paint and varnish industry of America and consequently the U.S. import 86% of Chinese exports of this material. Tung oil has been one of China's staple plantation industries for providing increasing amounts of foreign exchange. The import of this oil into the U.S. began in 1869, and in 1937, 175 million lbs. were imported.

In 1938, the Chinese contracted a loan from the Import-Export Bank, of 25 million dollars secured by tung oil imports into the U.S. This loan has since been liquidated in full and has resulted in the establishment of a semi-Government Trading Corporation to standardize and control the product.

Tea Industry

At one time China supplied the world with tea, but in 1838 the first Indian tea reached the London market. By 1888 the English people were consuming as much tea from India and Ceylon as from China.

Tea is not grown on plantations in China. Individual families cultivate small pieces of ground. Up to the present no progress has been made in the use of machinery for preparing tea, as is done in India, Ceylon, and Java. The absence of large plantations which would furnish uniform, standard quantities and qualities has discouraged efforts toward the use of machinery.

The total tea-growing area in China was given as 5,353,357 mow (mow equals 1/6th of an acre) for 1915-1929 with a total annual production of 5,519,574 piculs (133 1/3 lbs.). The tea grown in Chekiang Province is generally preferred but that produced in Anhwei, Kiangsu, Kiangsi, Hupeh, Hunan, Fukien, Szechwan and Kwangtung is comparatively well known.

Tea was once an important item of export for obtaining foreign exchange for the purchase of capital goods. The average yearly exports of tea between 1910 and 1913 was 196 million pounds. By 1935 this total had decreased to 38,151,600 pounds valued at Ch.\$29,643,908 at an exchange value of \$0.36243 in U.S. currency.

Flour Milling Industry

Flour Milling is an outstanding exception to the general rule of modern industries being dominated by foreigners, as out of 94 modern flour mills in China with a total capitalization of Ch.\$26,890,200 in 1936, nearly all were Chinese-owned. The reason for this condition is that flour milling is a localized industry, the mills being, as a rule, located near consumers and the source of wheat. The mills are scattered over a large territory as indicated by the accompanying Table. As a consequence of this condition, the

industry is one that could not flourish in the treaty ports, and there is insufficient protection to foreign industry in the hinterland. This is significant of what the future may hold for foreign industrial enterprise in China, inasmuch as all extraterritorial rights have been voluntarily surrendered.

Notwithstanding this development in the flour milling industry, China's imports of flour, have, since 1921, exceeded her exports with a maximum of 7,459,543 quintals (abt. 220 lbs.) imported in 1929. This was reduced to 310,068 quintals in 1936, while exports amounted to 92,172 quintals in the same year.

Production of Wheat Flour in China, 1933-1936
(in 1,000 bags of 49 lbs. each)

District	1933-34	1934-35	1935-36
Kiangsu, Chekiang & Anhwei	46,485	52,384	36,258
Shantung & Honan	3,135	13,034	12,225
Hunan, Hupeh & Kiangsi	11,322	5,373	4,289
Hopeh, Shansi, Suiyuan & Chahar	9,204	8,276	9,169
TOTAL	76,147	79,068	61,942

Silk Industry

China lost practically the whole of its silk business to the Japanese because of the superior organization of the latter, particularly in testing and conditioning their product for uniformity of quality suitable for foreign trade.

In 1935, owing to extraordinarily high silk prices in the international market, there was a brief recovery in the silk industry, mostly in the Provinces of Kiangsu and Chekiang, some in Kwangtung, Szechwan, Hupeh and Shantung.

Tobacco Industry

The tobacco industry was virtually controlled by the British-American Tobacco Co., and some Japanese companies, whose superior organization and finance enabled them to collect leaf and operate at considerable advantage over the Chinese. Incidentally, the foreign companies being powerful were before the war protected by treaty rights against excessive taxation which was forced on the Chinese factories by the Nationalist Government.

Paper Industry

Paper manufacture had, by 1937, been developed to the number of 18 modern paper mills located chiefly in Chekiang and Kiangsu, mostly engaged in the production of Chinese paper and cardboard. The manufacture of foreign types of paper was started to the extent of about Ch.\$10 million in 1936, while the imports amounted to Ch.\$50 million.

Chemical Industry

The chemical industry consisted of heavy acid plants in operation at Shanghai, Canton, and Honan, and early in 1937 a Government-owned synthetic nitrogen factory was opened

near Nanking with a capacity of 50,000 tons of sulphate of ammonia. Alkali production had been established; and two sulphuric acid, and two electrochemical plants were erected in Shanghai where nitric and hydrochloric acid were produced. There was also some small production of chemical dyes.

Machine Shops and Other Plants

In 1936 there were 270 machine shops registered under the Chinese Factory Act, but the diminutive size is obvious by the total capitalization of Ch.\$3,550,000. Aside from these 270 registered factories, there were 355 small machine shops not subject to the Factory Act and located in industrial centers such as Shanghai, Tientsin, Tsingtao, Hankow, Canton, and Wusih. The total value of machinery production by this group of 625 machine shops was estimated in 1936 at Ch.\$20 million. Other plants had been established for the production of electrical appliances, rubber and leather goods, matches, tiles, bricks, etc., but all on a small scale.

ELECTRIC POWER

Power plants in China have furnished an outlet for both Chinese and foreign capital. Early in 1925 there were about 400 plants in various localities with an aggregate capacity of about 250,000 kilowatts. The largest was in the Shanghai International Settlement owned and operated by the Shanghai Municipality with a capacity of 121,000 kilowatts.

By 1935 the power industry had increased its calcic electric power plants to 460, having a capacity of 584,914 k.w. Sixty-nine percent of capacity or 396,633 k.w. was in 307 plants (71% of plants) located in: Kiangsu, Chekiang, Anhwei, Kiangsi, Hupeh, Hunan, and Szechwan.

The K.W.h. generated by these plants, the ownership and source of capital is given in the accompanying

Electric Power in China

	Total No.	Chinese Owned		N.R.C. Planned K.W. Capacity for Regional Develop- ment	Foreign Owned		Totals		Total K.W. Capacity with Extensions
		K.W. Capacity	K.W.h Generated		K.W. Capacity	K.W.h Generated	K.W. Capacity	K.W.h Generated	
Provinces									
Kiangsu	109	105,628	251,844,000	476,000	211,820	816,804,000	317,448	1,068,648,000	826,259
Chekiang	105	32,811	45,073,000				32,811	45,073,000	
Anhui	29	4,762	7,781,000				4,762	7,781,000	4,762
Kiangsi	12	3,257	4,967,000	197,000			3,257	4,967,000	226,628
Lupeh	19	19,846	59,721,000		6,525	6,782,000	26,371	66,503,000	
Hunan	11	6,808	15,057,000	172,000			6,808	15,057,000	178,808
Szechwan	22	5,176	7,691,000	238,500			5,176	7,691,000	243,676
Total for Above Provinces	307	178,288	392,134,000	1,083,500	218,345	823,586,000	396,633	1,215,720,000	1,480,133
Total for Other Provinces				470,500					
China Proper	45	99,881	270,863,000	277,831	88,400		188,281		936,612
Total for China Proper	461	278,169	662,997,000	1,831,831	306,745	905,740,000	584,914	1,568,737,000	2,416,745
Total for Man- churia (1938)	9				600,000	1,600,000,000	600,000	1,600,000,000	600,000
Total for all of China	470	278,169	662,997,000	1,831,831	906,745	2,505,740,000	(1,184,914)	3,168,737,000	3,016,745

table. It will be noted from this table that while the total number of power plants in China Proper, both Chinese and foreign-owned, had increased by 14% in the decade between 1925 and 1935, the K.W. capacity had increased from 250,000 to 584,000 K.W., or over 130%.

Of the 456 plants in operation in 1935 only five were owned and operated by foreign and 4 by Chinese-foreign capital but their output was practically equal to that of the 452 plants owned and operated by Chinese, indicating that the latter were engaged principally in operating the smaller plants in local centers, while the foreign plants were of large capacity and located in the large coastal metropolitan centers for regional supply. When the Manchurian plants are added, the power under foreign enterprise is thrown further out of balance but this should be adjusted in the future when the Chinese obtain control and management of Manchurian industries.

The economy of the large plants operated by foreign capital over the small plants under Chinese control is apparent from the tabular data for China Proper showing that with a capacity (275,245 K.W.) about equal to that of the Chinese plants (278,169 K.W.) the foreign plants generated 905,740,000 K.W.h. against 662,997,000 K.W.h. produced by the Chinese plants or an increase of nearly 50%. The Chinese plants generated about 2,000 K.W.h. per K.W. capacity while the foreign plants in China Proper produced more than 3,000 K.W.h. per K.W. capacity. The Manchurian plants of 600,000 K.W. (almost equal to the combined total of foreign and Chinese plants in China Proper) which had been operated solely by Japanese, generated 1,600,000,000 K.W.h., equal

to 2,666 K.W.h. per K.W. capacity or about 5/6 the efficiency of the foreign plants in China Proper.

Potential of Electric Power Production

It will be noted from the table that the N.R.C. plans to extend the power production of calorific plants in the Provinces mentioned in the table by 1,083,500 K.W. and other areas, by 470,000 K.W., as well as to increase many small local plants throughout the country to the extent of 277,831 K.W. thereby making a total increase in calorific plant capacity of 1,831,831 K.W. This added to the existing plant capacity of 1,184,914 K.W. (584,914 K.W. for China Proper and 600,000 K.W. for Manchuria) would make a total of 3,016,745 K.W. for all of China.

This capacity would be about the same as Japan's total electric power plant capacity (both from coal and hydro-electric) in 1926, when that country's steel ingot production was 1,506,215 m.t. It is apparent, therefore, that the N.R.C. planned increase in power production capacity for China Proper, of 1,831,831, added to the existing plant capacity of 584,914 or a total of 2,416,745 as against their proposed steel ingot production of 1,512,000 for China Proper, would be on the low side if they aim at a balanced economy comparable to that of Japan in 1926.

China's hydro-electric power potential is considerable. Rowe quotes N.R.C. estimates of power available for exploitation from the streams of China as:

- (a) 22,000,000 h.p. from streams flowing 95% of the time and
- (b) 40,000,000 h.p. if including streams flowing 50% of the time.

This checks fairly well with Dr. H. D. Fong who gives the power resources as 20 to 40 million h.p.

As against these overall estimates there are regional estimates of 10,000,000 K.W. from the Yangtze Gorges, surveyed by Dr. John L. Savage of the U.S. Bureau of Reclamation, and 7,400,000 K.W. in accordance with the Japanese Five Year Plan in Manchuria which comprises three projects:

Sungari River	2,600,000 K.W.
Yalu	2,000,000 K.W.
Others	2,800,000 K.W.

The fulfillment of these hydro-electric projects is remote.

The Japanese had a plant under way for producing an additional 3,000,000 K.W. from low-grade coals scrapped at the mines at Fushun, Penhsihu and other mines, which might be available to the Chinese if they obtain technical assistance.

We have not included this latter power in our table, nor have we included 4,500,000 h.p. reported as a potential for Szechwan Province. It seems quite likely that the Szechwan potential is included in the Yangtze project already reported.

The U.S.S.R. hydro-electric power available in 1940 was 2,500,000 K.W. and plans for future development were estimated at 14,000,000.

The American T.V.A. project has a capacity of:	
Boulder Dam	1,800,000 K.W.
Grand Coulee	1,322,300 K.W.
Bonneville	1,974,000 K.W.
	518,400 K.W.
	5,614,700 K.W.

TRANSPORTATION

Railway Development, 1866-1935

From 1866 to 1935 there had been built in China Proper 6,047 miles of railways. These railways were either built or financed by Great Britain, Belgium, Germany, The Netherlands, Japan, France and the United States. In 1935 the mileage of railroads in Manchuria was 3,726, including 921 miles on the Chinese Eastern Railway. These Manchurian roads were built by the Japanese except for the Chinese Eastern Railway, which was built by the Russians and Chinese.

According to Chang Kia-ngau (at present Governor of the Central Bank of China), there was, in 1942, a total of 12,036 miles of railways (including Manchuria), amounting to 27 miles of railroads to each million people against 1,940 miles in the United States, 437 miles in Great Britain, 550 miles in Germany, and 190 miles in Japan to each million people.

This mileage of 12,036 also represents 274 miles to 100,000 square miles of territory as against 7,970 per 100,000 square miles in the United States, 21,360 miles in Great Britain, 20,150 miles in Germany, and 9,120 miles in Japan per 100,000 square miles of territory.

It is further pointed out by the same source that this small railway mileage still leaves 8 out of China's 26 Provinces, with a total area of 1,692,000 sq. miles, without railway facilities. These Provinces include: Jehol, Ninghsia, Kansu, Chinghai, Sinkiang, Sikang, Szechwan and Kweichow, apart from the vast outlying territories of Inner Mongolia.

According to Remer, the unredeemed loans against transportation in China in 1914 amounted to the equivalent of U.S.\$531,100,000, representing 33% of China's outstanding foreign obligations and by 1931 the same obligations were listed as U.S.\$846,300,000, representing 26.1% of China's outstanding foreign loans.

It is beyond the scope of this survey to go into the history of the building of China's railways, on which subject Chang Kia-ngau has written a book of over 300 pages. The description of the various lines in such a vast country as China are very complex and yet the history of any one of these roads typifies all others inasmuch as they were all financial failures due to malfeasance and nepotism plus the continuous use of the lines for troop movements without revenue, the confiscation of revenues by war lords and the complete absence of upkeep.

In 1935, there was a conversion of these railway loans in settlement for amortization at a total cost equal to U.S.\$265,089,391.

In Chang Kia-ngau's book, he dwells on the story which is quite familiar to China hands that the Chinese people had an aversion to railways for fear that they would offend the spirits and gods and also that the failure of the railways was due to the scramble of imperialist powers to get concessions.

As a matter of fact, however, the history of the defaulted Chinese loans gives an entirely different picture.

At the time of refunding or conversion of Chinese loans in 1935, the Chinese Government invited Brig. General F. D. Hammond, a British railroad expert, to assist in the complete administrative reorganization of Chinese railways. This move was, no doubt, inspired by Chang Kia-ngau, who was Minister of Railways between 1935 and 1937. Chang had always been in favor of China building a complete and efficient railway system through its own engineering efforts and partly, if not wholly, by Chinese capital.

As a consequence, General Hammond was given every facility to promote reforms, which started with the operation of the railroads as business enterprises, staffed by trained personnel maintained on a rational standard of performance so that every staff member should be able to contribute to the successful operation of the railroads instead of the good old Chinese custom of using the railways as a political institution honeycombed by nepotism.

General Hammond in his reports brought out the fact that increases in staff had been out of all proportion to revenues and all railroads had numbers of employees with no specialized training or with training that had no direct relation to railroading. In many cases the percentage of personnel increased three or four times faster than the revenue. The speed of all trains was advanced and reduced schedules were maintained.

In addition to this improvement of the general transport system, actual railway building included the completion of the line between Canton and Hankow in 1936; the extension of the Lunghai Railway to the Lungkwan, Sian, and Paochi line, also connecting the line from Sochow to Kashing. Work on the Nanking-Canton, Hunan-Kweichow, and the Chungking-Chengtou lines was begun but had to be discontinued. From the foregoing it appears that for the first time in China there existed a coordinated plan between building industries and an improvement in transport.

Railways in Wartime

Under wartime conditions during the first twenty-one months of the war, from July 7, 1937, to the fall of Nanchang on March 30, 1939, 80 percent of the Chinese railways built before the war had either fallen into the hands of the enemy or had been destroyed. The fact must not be overlooked that passenger cars, freight cars and locomotives were irreplaceable. Consequently, it was not until the war had settled down to a virtual siege, in 1941, that railways which were to remain behind the lines in Free China began to receive the improvements which have been important factors in the conduct of the defense of western, southwestern, and northwestern China.

Hhre again expediency forced the Chinese to improve transport to accommodate every form of traffic. As a result, highways were usually constructed prior to or concurrently with railways and also improvements were made in waterways. At about this stage of the campaign, the Chinese developed a system of successful evacuation of railroad equipment prior to losses of strategic points.

Post-War Railway Development

The Chinese program for post-war railway development, according to Chang Kia-ngau, includes a Ten Year Plan with the first stage covering 7,155 miles of roads as per the accompanying table, with the object of "knitting together all the political and military centers of the country for assisting in the development of the most essential mineral resources."

It also includes a second stage of 7,145 miles of important trunk lines, "to be constructed to develop the frontier and coastal provinces and to open up more overland routes to the neighboring countries."

According to Chang Kia-ngau, the cost of rebuilding the destroyed lines and completion of those started during the war will require US.\$100 million and the Ten Year building program will require for material and equipment, U.S.\$350 million, or 35 million dollars yearly, of which the Chinese are to supply one-half through the production of the necessary steel rolling stock, etc., from their own industrial plants. The procedure for raising the loans is beyond the scope of this survey. It is obvious that this Ten Year Plan, even if carried out, will still leave China ill-equipped with railways.

Post-War Railway Development

First Stage:—

Location	Distance in Miles
Northwest:	
Tienshui-Chengtū	445
Tienshui-Urumochi	1,500
Lanchow-Changtu	1,000
Southwest:	
Chengtū-Changtu	940
Szechwan-Kweichow	400
Kweichang-Weining	380
Hunan-Kweichow	620
Southeast:	
Nanking-Kiangsi-Fukien	620
Central China:	
Chungking-Pukow	1,250
Total Mileage for FIRST STAGE	7,155 miles

Second Stage:—

Northwest:

Urumochi-Ulakom	450
Kweisui-Russian Border	1,000
Paotow-Lanchow	680

Southwest:

Chengtū-Darjeeling	750
Paan-Sadiya	500
Szechwan-Hunan	500
Fuling-Sichang-Siangyun	350

Southeast:

Kwangtung-Kiangsi	370
Samshui-Kweilin	320
Fukien-Kwangtung	650
Litang-Kwangchowwan	250
Nanning-Yanchow	125
Kanhsien-Swatoow	250

Central China:

Tsinan-Neihwang	200
Sian-Siangyang	250
Kwangyuan-Tzeyang	500

**Total Mileage for
SECOND STAGE . . . 7,145 miles**

Highways

Dr. H. D. Fong of Nankai University reports the following highways as completed or partly completed during war-time:

From	To	Length (kms.)
Chungking	Kweiyang	551
Kweiyang	Kunming	662
Kunming	Wanting	421
Siakwung	Wanting	552

Soviet Chinese Highway: 3,451 (old roads converted to modern highway) Sian to Kansu, Sinkiang, Shansi, Nanyang, Chengtu.

Total Mileage—Railways. Highways. Waterways

In the middle of 1941, there were in Free China 2,800 kilometres of railways, 40,000 kilometres of motor highways, and 9,000 kilometres of inland waterways as compared with 9,600 kilometres of railways, 110,000 kilometres of motor highways, and 18,000 kilometres of inland waterways in pre-war China (exclusive of Manchuria). Because of scarcity of motor vehicles, gasoline supplies, and steam vessels, a

system of stage transportation, using mainly rubber-tired carts pulled by horses, mules, camels and sometimes coolie labor, has been in use since September, 1940. The 40 highways cover 28,340 kilometres in 13 provinces. Eight national stage transportation lines have been opened, totalling 9,048 kilometres; branches under provincial administration measure 19,292 kilometres. The goods handled during the year September, 1940, to August, 1941, amounted to 99,334,428 ton-kilometres, distributed as follows: commercial goods 47.9 per cent, government goods 32.2 per cent, military supplies 14.3 per cent, foodstuffs 1.5 percent, postal matter 1.2 per cent, others 2.9 per cent. It is estimated that a rubber-tired cart, pulled by two or three horses in the northwestern provinces, is capable of travelling with a cargo of 1.2-1.5 tons 20 kilometres a day. In 1941, 7,165 such vehicles were in use, in addition to other means of transport pulled by beast or human labor.

AGRICULTURE

Rural Economy

China is an agricultural country with four-fifths of the population on the land, which is tilled in the same manner and with the same tools as were used in the days of the Roman Empire. It requires four people on the farm to maintain one person in the city who may be available for industry. Moreover, those who remain on the farm eke out a bare subsistence. There is no rotation of crops and no machinery. The children, instead of being in school, must be used on treadmills for irrigation. Only one-fourth of the land of China is arable. The average Chinese family of eight must live on two or three acres. A bad crop or flood or draught, or plague of locusts, causes the death of thousands of people.

Sub-subsistence Level

This backward condition of agriculture, affecting as it does the general education of children and low standard of sustenance is one of the great problems which faces the industrial economist of China.

Comparison with U.S.A.

O. E. Baker has given Chinese farmers credit for being among the most skillful in the world in the cultivation of crops and the conservation of soil fertility. On the other hand, he has drawn attention to the lack of knowledge in China of the great advance in occidental agriculture:

- (1) Power, both animal and mechanical.
- (2) Mineral fertilizers.
- (3) Improved farm animals and plants.
- (4) Control of insect pests and of plant and animal diseases.

Of these, the most important is power—as it is throughout the orient.

The power available on the farms in the U.S.A. greatly exceeds that of all the factories of the nation. The intelligent application of this great amount of power to agricultural production and to the transportation of agricultural and other products has reduced the proportion of the population who live on the farms in the U.S.A. to one-fourth, the balance being released for production and distribution of manufactured goods and services—as against four-fifths of the population on farms in China.

There are other problems involved in agricultural production in China vs. U.S.A. including that of the utilization of arable land. In China, only 29% of its land area is available for crops against 51% in the U.S.A. With this, plus the difference in population between the two countries—the area of land on which it is physically possible to grow crops in China is 1.6 acres per person, as against 8.1 acres in the U.S.A.

A review of the measures taken by the Nationalist Government immediately prior to and during the war for improving the agricultural economy in Free China, to provide a sufficient supply of food for not only the people on the farms but also for the vast number of troops and for the workers in the young industries which are necessary to keep the troops in the field, reveals many other problems than those listed above.

Inflationary Evils

It is a well-known economic truth that where inflation exists, the urban population living on fixed incomes suffers severe economic pressure while the farmer is free to obtain greater returns in money for his products than in normal times. Therefore, there are many reports emanating from China of diverse opinions regarding the lot of the farmer.

In terms of money, China has reached a serious inflationary stage while prices of farm products such as rice, wheat, and cotton have gone since 1928 from 50,000 to 100,000 times and further increases occur almost daily.

Absentee Landlordism

As a result of the increased farm prices, more attention has been given to the land and agricultural production has increased. But, it is not quite so clear whether the peasant on the land has received the benefit of the increased prices of farm products because of the power in China of the landlord and the leeching go-betweens or middlemen who handle the loans direct with the farmer in the thousand and one cases of the poor farmer who cannot satisfy credit conditions imposed by the Farmers' Bank.

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HONGKONG PORT DEVELOPMENT AND PORT FACILITIES

The people who make Hongkong their home are primarily engaged in commerce. Hongkong's magnificent natural harbour has made it inevitable the main entrepot of South China's trade, both inward and outward. The majority of the working population is thus engaged in occupations concerned with the import and export business, shipbuilding, shipbuilding and ship repairing, stevedoring, etc., and it is from such occupations that most of the Colony's wealth is derived.

Warehousing and stevedoring is one of the essential and good profit producing enterprises in Hongkong. On their efficiency and the adequate number of godowns, piers, skilled stevedores and launches etc. the expansion of shipping depends.

With approximately 90 percent of the prewar facilities restored and repaired, Hongkong today is the best and largest commercial port in the Far East, though many of the present serviceable wharves, buoys, warehouses and navigation lights are still not modernised and need extensive rehabilitation.

Many plans are at present under close consideration and study by the Port Works Office, the Harbour Office and the various leading godown companies for the purpose of speeding up and improving allround port facilities partly only to their prewar standards and capacities; in most cases, however, it is aimed to surpass prewar facilities in every respect to meet the future demands of the world's shipping and trade development and thus to make the Colony a permanently leading commercial port in the Western Pacific & Far East.

Great Development Plans

The mapping out of these plans and translating them into facts requires millions of dollars and will take a few years' time to complete. The schemes under consideration by Government are principally the reclamations of two large sites, one at North Point and the other in the Central District close to West Point, for constructing modern wharves capable of berthing ocean going ships up to at least 30-feet draft; the construction of heavier type buoys in the harbour and the repair of the war-damaged navigation lights as well as the setting up of new navigation lights and lighthouses inside and around the harbour.

Other large Government development plans for Hongkong, intimately connected with the modernisation of the harbour, are: the construction of an under-harbour tunnel (connecting Victoria with Tsimshatsui, Kowloon), and the utilisation of military and naval lands especially those in the heart of Victoria (after the War Office and Admiralty will have come to terms with Hongkong Govt).

On the other hand, many big warehouse companies have under consideration the building of new modern warehouses and piers and the installation of the latest types of cargo handling systems to speed up loading and unloading and to reduce costs and combat efficiently all forms of pilferage.

Post-War Conditions

Before the outbreak of the Pacific War, the Colony had 12 wharves for ocean going vessels, 13 piers for coastal ships, over one million measurement tons of godown space, 48 heavy, light and typhoon buoys and all necessary navigation lights and lighthouses.

The complete lack of maintenance and repairs during the four years' occupation of the Colony by the Japanese in addition to war damages and looting, reduced the service of the local port facilities. Most of the public warehouses and wharves were damaged, while many of the prewar buoys and navigation lights and lighthouses were either destroyed or removed by the Japanese.

Despite the general shortage of materials after the war, rehabilitation to damaged warehouses and wharves was immediately started after liberation and the first ship—a naval hospital vessel—berthed alongside the Kowloon Godown's No. 1 Wharf on August 31, 1945, and the first commercial cargo of 30,000 tons was unloaded at the same wharf in Sept. 1945. The rehabilitation work progressed as satisfactorily as could be expected and with whatever materials available during the last two years.

In our issue of December 4, 1946, page 11, the position of Hongkong warehouses was reviewed and prewar and 1946 figures for godown capacities etc. were given.

Conditions Today

Today, the speed of handling of ships throughout the harbour is very much higher than any other trading ports in the Far East. Ships arriving here for the discharge of cargo are not required to wait for more than a few hours, whereas they may have to wait four or five days in other Far Eastern ports like Shanghai and Manila. It is not so long ago that ships arriving at Shanghai were required to wait for unloading almost 2 weeks.

Of the 48 prewar buoys only two were found floating at the end of war, the remaining 46 were either sunk or removed by the Japanese. After two years' continuous rehabilitation there are today 37 buoys in service; these are 14 A Class buoys, including 10 for typhoon anchorage, designed for vessels up to 600 feet in length, 22 B Class buoys for ships ranging between 300 and 400 feet in length and one C Class buoy for craft less than 300 feet.

The Harbour Office has ordered from the United Kingdom two specially heavy buoys to be fitted with four-inch cables instead of the 3½-inch ones which are attached to other buoys now in service in the harbour. New materials worth £70,000 are expected to be delivered soon from Britain for repairing the remaining unserviceable buoys and damaged navigation lights and lighthouses.

During the past 12 months, 19 damaged light buoys and navigation lights were repaired and restored to operation, while with the exception of four sunk vessels, all the ships and launches sunk in the harbour during the war have been salvaged. These four unsalvaged vessels are expected to be cleared in the next six months.

From the economical operation point of view, it is absolutely necessary to replace all the temporary lights left behind by the Japanese. Not only ineffective, these Japanese installed navigations lights involve heavy operation costs.

Wharves on the Island

Like in prewar days, the city of Victoria (Island) is still without any wharves for berthing ocean going vessels. It was therefore imperative that Government devise means and plans for the construction of piers accommodating ocean vessels on the Island in order to facilitate ship-to-godown and godown-to-business house transportation. The Port authorities have executed two plans for developing shipping facilities on the Island. One plan calls for the reclamation of a large part of the waterfront near North Point, while the other plan is concerned with the waterfront in the Central District between Custodian Wharf and the Macao Wharf close to West Point which is to be widened.

The former scheme will require several years, but the latter plan may be realised soon as in 1948 work is scheduled to start and to be completed in 1950. The delay in carrying out further reclamations of the waterfront in the Central District is due to the many pier leases granted to various river shipping firms; however, all the leases will expire at the end of 1948.

According to the tentative estimates the reclamation in the Central District will comprise the widening of the waterfront by 150 feet and the construction of several modern piers to be used by coastal and ocean going vessels. The relative expenditure is estimated at \$40 million.

In the opinion of many shipping and godown firms, the plan for widening the waterfront between Custodian Wharf and Macao Wharf is not a perfect one and it is suggested that the new site should be moved

further to West Point to avoid the increase of the traffic jam along the Praya (Bund) in the neighbourhood of Western Market. Since the tram line connecting West Point and East Point is located in this section, future transportation by trucks fully loaded with cargoes from ocean and coastal ships will certainly aggravate the traffic jam. The reclamation of 150 feet along this part of the Island waterfront allows space only for construction of wharves and big warehouses next to wharves could not be built. Should another plan be designed providing for a shift further to the West it would be more suitable since there exist already large godowns along the section of the closed-to-traffic waterfront. Furthermore, it will be a difficult problem to remove the existing tram line from the short section of Connaught Road (Bund) to further inside, since there are no broad and large roads south of the Western Market.

Ocean & Coastal Ships Berthing

To serve still better international shipping, it is necessary for the Colony to have wharf-to-godown facilities on both sides of the harbour not only for coastal boats, but also for big ocean going liners. At present, all the ten wharves berthing ocean going ships are located in Kowloon—eight at the Kowloon Godowns Wharf and two at Holt's Wharf.

The other two prewar wharves for ocean steamers—also located in Kowloon—are being repaired and will be in commission before the end of the year.

Extensive repairs to many other serviceable wharves for both ocean and coastal ships in Kowloon and in Hongkong are necessary as they were to a large degree only improvised with whatever materials available since liberation.

According to Hongkong shipping returns, on the average 250 ocean steamers and 300 river boats called on this port every month in the past nine months, carrying a total of 300,000 tons per month of commercial cargo into and out of Hongkong. Ships usually enter the harbour from the East the harbour approaches being deep enough for vessels up to 35 feet draft while the western entrance accommodates only vessels up to 24 feet draft.

Piers & Warehouses

From the above figures, it is obvious that the Colony's existing number of piers is quite sufficient to accommodate ships calling here, since on the average eight ocean going steamers and 10 river ships are arriving or departing from here every day. The Colony possess however, 10 piers for ocean going ships and 13 piers for coastal vessels at present in good condition.

When Sir David Owen inspected the local harbour facilities in 1941 he estimated that a total of one million measurement tons (each mea-

surement tons equals 40 cubic feet of space) of godown space were available here for commercial storage and transit.

As most of the damaged warehouses have been rehabilitated and new ones were constructed, there are today more than one million measurement tons of godown space available for commercial use. The three leading godown companies today possess a total of 926,343 measurement tons of storage and transit space, while the rest of smaller warehouses owned by private commercial firms aggregate about 150,000 measurement tons. In addition, many oil companies (Shell, Socony and Texas Oil Companies) own a storage capacity of more than 200,000 tons which is of course only suitable for storage of all types of oil products.

Godown Companies

The tariff rates of the three leading godown firms are about three times higher as regards storage and from five to six times higher for shipping and lighterage services (compared with their respective prewar charges). A number of smaller firms and private godowns for commercial storage are charging much higher rates than the 3 principal warehouse companies (Holt's Wharf, Kowloon Godowns, Provident Godowns).

Like other commercial ports in the world, the Colony has also suffered from well-organised cargo pilferage. Through concerted efforts by wharf companies and Police the activities of the pilferage gangs have been much reduced. Pilferage is no longer a danger to commercial shippers; petty thieving could even be eliminated if godown companies would strengthen their private police forces and simplify the cargo handling procedures by reducing the number of wharf coolies. Merchants should of course refrain from buying pilfered goods.

As an example:—the handling of one piece of luggage or one case of cargo is tackled by six wharf coolies at a public warehouse in Kowloon. This procedure certainly offords more opportunities for pilferage by coolies.

Crane Ship

Some difficulty was experienced at the beginning of the year when heavy type of machinery of U.N.R.R.A. arrived here from the United States. Since there was no heavy-lift crane in the Colony, these machinery necessarily remained on vessels for sometime until the arrival of the crane ship, "Seisyu Maru" which helped the discharge of the U.N.R.R.A. cargo at Holt's Wharf direct to the railway for transportation to Canton.

The crane ship capable of lifting cargo up to 140 tons per lift is now operated by the Harbour Office and available for service to the general public at any points in the harbour.

HOLT'S WHARF

Owned by Messrs. Butterfield & Swire, this company has two wharves each capable of berthing ocean going vessels up to 15,000 tons and a total capacity of 26,343 measurement tons of godown space for storage and transit. The firm's property has a frontage of 1,600 feet and an area of 108,000 square feet situated next to the Kowloon-Canton Railway station on the mainland.

Its No. 1 Wharf is 470 feet in length and has a minimum draft of water alongside of 32 feet, L.W.O.S.T. This pier is connected with the Kowloon-Canton main railway system and gross loads of 11 tons per axle can be landed to railway trucks from vessels berthed alongside. For this reason, the wharf has been largely used by U.N.R.R.A. during the past two years for discharging relief and rehabilitation goods, machinery and equipment mostly from the United States to South China.

Holt's No. 2 Wharf is 450 feet in length and has also a minimum 32 feet draft of water alongside. All discharge is carried out by vessels' gear.

The Company maintains three lighter basins for handling cargo to and from small craft and a 220-H.P. tug, "Dunae" for assisting berthing and unberthing vessels. Its lighter, "Eurus", has a capacity of 430 tons and is fitted with steam heavy lifting gear capable of handling loads up to 15 tons. This craft is available for delivery of heavy cargo to various points in the Colony.

There are six cranes working on the wharves for loading and unloading cargoes. Of these, four are steam locomotive gantry type with a lifting capacity of two to five tons and two mobile Ransome repair cranes with two to three tons capacity each.

In addition to three general warehouses of five, four and two-storey godowns totalling 26,343 measurement tons, which are all fitted with electric cargo hoists, the company also has limited facilities and space for storage of hazardous and extra-hazardous classes of goods. The wharf has its own generating stations and fire fighting plant.

CHINA PROVIDENT LOAN & MORTGAGE COMPANY, LTD.

This British managed firm is one of the three biggest commercial godowns in Hongkong, though it at present does not possess wharf facilities for ocean going and river ships.

The company has, however under consideration the construction of a large modern pier capable of providing berths to ocean going steamers of the largest type that has thus far called on this port and to also coastal ships and lighters berths.

The projected wharf will be erected at West Point (Hongkong) together with modern transit sheds and mechanical means of cargo handling. When it is built Hongkong will then be in a position to offer combined wharf-godown facilities to ships on this side of the harbour as well as on the mainland side.

Shipowners and merchants greatly appreciate the company's scheme and will certainly avail themselves of the ship-direct-to-godown services on the island where most of the commercial trading is carried out. The same scheme includes modern means of cargo handling and will undoubtedly increase efficiency and materially reduce costs and opportunities for pilferage and the unfortunate delays now so common in the Colony. The preparation of the scheme and its translation into fact will take some time and involve a great deal of money, but the results aimed at are most commendable and will prove beneficial to shippers.

Due to war losses the company's storing capacity has been reduced from its prewar measurement of 250,000 tons to the present 150,000 tons which include specially constructed high flash liquid premises, dangerous goods stores, bonded space and also open storage of nearly 100,000 square feet. Of the 150,000 measurement tons of godowns, 140,000 tons are for storage and 10,000 for transit. The company has plans to increase its storing capacity to 300,000 measurement tons in the future.

The company also maintains an efficient lighterage and trucking section which has been adequately serving the requirements of shipowners and consignees. With its shipping, forwarding, insurance connections and loan facilities the firm has been able to give a complete service to local merchants.

With a view to improving safety storage and reducing handling charges, the Company ordered a three-ton diesel operated crane and a number of cargo elevators, portable stacking elevators and chutes, the delivery of which is expected in the near future.

Apparently due to its competent and efficient godown staff members who are said to be the highest paid of their class in the Colony, the Company has been able to maintain an enviable record as regards losses by pilferage and no justifiable claims for loss from pilferage or other causes have been reportedly lodged with the firm during the period it has been in operation since release of its warehouses from government control.

HONGKONG & KOWLOON WHARF & GODOWN CO., LTD.

Possessing at present 750,000 measurement tons of godown space for storage and transit purposes and wharves capable of accommodating eight ocean going steamers, the Hongkong & Kowloon Wharf & Godown Company is the biggest commercial godown company in the Colony and the most important unit in the facilities provided by this port.

When the Colony was liberated in August, 1945, the Company's godowns, wharves, etc. were found in a dilapidated and dirty condition, and were suffering badly from lack of maintenance. The company's property at Lai-chikok was completely destroyed, No. 6 wharf demolished, No. 14 transit shed's roof removed, No. 25 transit shed totally destroyed, No. 4 wharf stripped, No. 5 wharf bomb damaged, No. 3 wharf sabotaged at sea end and the West Point wharf badly damaged. Of its fleet of 120 lighters, only 45 were available when Japan surrendered, while its prewar fleet of launches were all destroyed or removed by the Japanese.

The company has made great efforts in rehabilitating its destroyed and damaged wharves and godowns during the past two years in addition to improving the cargo handling and storing facilities with salvaged and newly ordered materials and equipment. The cost of the rehabilitation of the company's damaged properties has been estimated at approximately \$10 million.

By recovery of shipping from Canton, local salvage, and purchase of new craft, the company has increased its lighter fleet to 71 with a total capacity of 7,000 tons of cargo in one lift. The whole existing fleet has been reconditioned and is now in first class order.

State of the Fleet & Wharves

The company was able to recover two motor launches and one large steam launch from Canton and another motor launch from Hongkong. These four boats were all reconditioned and are now in service. The firm has, however, lost two old launches which have not yet been accounted for, while its oldest vessel, the "Cormorant", a harbour motor boat was also found unserviceable and beyond repair. To substitute the former the Company purchased a diesel-engined launch in addition to having acquired a new harbour motor boat. Its prewar twin-screw tug, "Kowloon", which was recovered also from Canton, is under extensive repair and expected to be in service very soon, and will then add considerably to the efficiency of the fleet service of the Company.

With the exception of its No. 4 Wharf in Kowloon which is capable of berthing two ocean going vessels and of its West Point Wharf for one coastal ship, the Company undertook temporary repairs to its other eight

wharves in Kowloon with available materials, which are now serving ocean going steamers.

Cargo Thefts

In common with all parts of the world where cargo is handled, the Colony suffered badly during 1946 from organised cargo thefts. Through concerted efforts and with the co-operation of the local Police, a very considerable improvement in the situation has been effected. For this purpose, the company re-organised and strengthened its private Wharf Police Force, which is consisting of eight European and 106 Chinese police, supplemented by special watchmen and a force of private detectives. A number of the European members of its force were former police officers of the Shanghai Municipal Police and of the local Police Force.

Record Business

In the 12 months period ended in June, 1947, the company handled 733 vessels and little over one million tons of cargo. Although the number of vessels is considerably less than in prewar years, the tonnage handled compares very favourable considering world-wide postwar conditions. Throughout the year, a steady improvement in the rate of discharge has been effected, and on several occasions recently the company attained prewar rates of discharge in spite of operational difficulties.

Throughout its Kowloon Point frontage there is a light railway system running into various warehouses and transit sheds. The system proved most convenient to transporting cargo between wharf and godown.

The company also has a proper railway connection from Kowloon Point to the Kowloon-Canton Railway station. Since liberation, this railway has not yet been employed. When trade between here and South China improves and increases in the future, the Company will utilise the services of this railway system to bring cargo from its wharves to the railway stations for transportation to Canton and other points along the railway in South and Central China.

Plans are already underway for the rebuilding of No. 4 Wharf, which was stripped by the Japanese and which has been out of commission since liberation. When it is rebuilt and in service, the Company will close the remaining temporarily repaired wharves for extensive reconstruction and repairs rendered necessary by war damage. Its West Point Wharf will also undergo extensive repairs in the near future to accommodate coastal vessels.

The company's demolished godowns at Lai-chikok have been cleared and this area is at present being used for open storage, while its West Point godowns are fully reconditioned and storage space therein is well occupied. Its godowns in Yaumati have been re-

COMMERCIAL MARKET REPORTS

FINANCIAL & CUSTOMS AGREEMENT BETWEEN HONGKONG AND CHINA

Since the Hongkong Govt. official announcement of Aug. 18 regarding the signing of an agreement between Hongkong and Nanking and the official promise to disclose the terms within a week or so after Aug. 18, two months have passed and the agreement still remains a secret one. We called it so in our issue of Sept. 3 and the public has come to call it so both here and in China. That the terms still cannot be revealed is due, in official jargon, to the "delicate nature" of this agreement.

A number of Chinese dignitaries have made meanwhile statements to the press so that guessing becomes always easier. The agreement appears to comprise a financial and a Customs understanding. On Aug. 15, so it transpires, only a fairly general agreement was signed in Hongkong by local and Nanking authorised officials which required additional clarifications and stipulations and what not to become effective and satisfy both contracting parties.

conditioned and specially constructed for storing dangerous goods up to the standard and regulations of the Fire Association in Britain and of the local Dangerous Goods Regulations. **New Improvements**

In addition to effecting necessary and expensive repairs to its damaged godowns in Kowloon, the Company has installed modern cargo lifts, hoists and wall cranes in its warehouses. Shortly before the outbreak of the Pacific War, the Company had completed the construction of two modern transit sheds known as No. 14 and No. 25-A Transit Sheds. During the Japanese occupation of the Colony, the former shed was completely destroyed and the latter was damaged and the entire roof was removed. The reconstruction of No. 25 shed has been completed and is now in commission, while No. 14 shed is being re-roofed and will be in service in November. These two transit sheds are capable of accommodating 7,000 tons of goods, and are equipped with special lighting for quick and easy cargo sorting.

On the whole, the Company has altogether 80 godowns and transit sheds totalling 750,000 measurement tons in service to-day. Of these, 66 godowns and transit sheds are located on its main property in Kowloon, six in Yaumati and 8 in West Point.

The Company has ordered two electric cranes to replace steam cranes lost during the occupation. When they are delivered, which is expected before the end of the year, the whole Kowloon Point frontage will be served by electric cranes, and its Yaumati property will be adequately served by steam and mobile cranes.

The Customs understanding is at times reported by responsible Chinese officials in Nanking or Shanghai as already signed and then again another group of equally responsible mandarins explain that nothing yet has been signed. The Customs understanding was built on the assumption of Hongkong Govt.'s passivity in the big smuggling enterprises of Chinese potentates and minor uniformed organisations, and with sufficient though well-concealed blackmail the Chinese negotiators were trying to come to an end of the tortuous negotiations, which culminated in the polite suggestion to allow Chinese armed personnel to supervise all trade with China in the Colony of Hongkong.

The financial understanding of the still secret Agreement appears to have been rather close to its implementation shortly after the formal signing of the Agreement in Hongkong on Aug. 15. But the Chinese Govt. decided, as from Aug. 18, to adopt an open market exchange rate which invalidated the terms of the financial understanding as Shanghai's official rates entered (although only for a short time) into open competition for the very bone of contention and envy: the overseas Chinese family remittances.

It is this move, which is remitted largely to South China via Hongkong from Chinese living in America and in Far Eastern countries, which causes so much politely concealed disagreement: and export bills derived from mostly tung and other vegetable oil exports of China via Hongkong to the U.S. and Europe almost made the kettle boil over in Nanking.

In their quest of getting foreign exchange, but still adhering to a fictitious official exchange rate, the Nanking authorities, failing at the front door, try their luck at the backdoor. It is Honakong Govt. which is called upon to cooperate by surrendering, in one form or the other, especially the remittances arriving here from Chinese in the U.S. That this is beyond the power of Honakong Govt., at least to a very considerable extent, has not yet dawned on the Nanking negotiators.

There were some wishful interpretations of the Agreement and authoritative "disclosures" published in Shanghai: the stationing of Chinese Customs and other preventive organs in Honakong for permitting or refusing all trade between the Colony and China; the partial handing over of overseas Chinese remittances by Honakong Govt. to Central Bank of China; the partial surrender of Chinese export bills or utilisation of same by Honakong according to instructions by Central Bank of China; Honakong Govt. prohibition, under instruction by Central Bank of China, of unofficial rates of exchange

to be quoted here for Chinese money and the U.S\$.

In the face of so much discreet silence maintained by Hongkong Govt., although provocative statements have been made in Shanghai and Nanking which certainly are contrary to facts, the local commercial community is justified in voicing their disappointment about the unnecessarily high degree of paternal solicitude by Hongkong Govt.

HONGKONG PRICE CONTROL MEASURES

A measure of retail price control was brought into force during 1946 through the medium of the Department of Supplies, Trade and Industry (which Dept. was originally designed as a temporary institution but now may be reorganised into a permanent trade and industry dept. of Govt.). This was necessarily a gradual process since in the early days of the re-occupation most of the goods available were local products or goods from neighbouring parts of China and any attempt at strict price control would have discouraged their production or entry at a time when they were most needed. As goods began to arrive from the world's markets in adequate quantities, price control was gradually extended. Various means were used to enforce it, apart from straight price fixing backed by legal action. For example, goods were directed into selected retail shops which had guaranteed to sell at control prices and thus acted as a check on the market. The Department went into business and made bread, confectionery, towels and shirts which were sold under its control.

One difficulty arose and was never wholly solved. In order to encourage the revival of entrepot trade it was necessary to impose the minimum control on exports; but if exports were uncontrolled control of retail prices would merely drive goods out to more profitable markets. A partial solution was to permit the re-export of stipulated percentages of all imports. The cooperation of the mercantile community in matters of price control was satisfactory and the system is being regarded as fairly effective.

Price Labels

In order to assist the legitimate trade and to enable the public to make purchases at fair prices the Dept. S.T. & I., through its Price Control Section, has often tried, and with much success, to require all shops and stores to display clearly in both Arabic and Chinese figures the price of every article offered for sale. The cooperation of the large department stores and most of the shops located on the thoroughfares has been gratifying. The shopping public appreciates this spirit of commercial honesty and prefers, by & large, to patronise such shops while only the professional hagglers and newcomers will enter a shop where price labels are not shown.

USS QUOTA ALLOCATIONS

The Financial Secretary of Hongkong Govt. announced on May 8 the introduction of a system of exchange allocations under quota for the payment of imports from the U.S., Canada and the Philippines. The terms of this system and the goods which came under exchange quota allocation were published in our issue of May 14, p. 8.

During the months of May and June the ad hoc established Exchange Sec-

All price controlled goods such as gazetted from time to time are of course legally required to show on both on the goods offered for sale in the window and inside the store the officially fixed ceiling price, and in addition these shops are required to display a printed list of all price controlled articles which they keep on stock.

It would be generally welcomed if a price label Ordinance could be drafted which ought to make it legally binding on shop keepers to display prices of their goods irrespective of price controls. Such Ordinance would also meet the wishes of the majority of shops and stores in Hongkong as it is only the smaller enterprises who profit from the bad habit of haggling with customers and very often offer unreliable goods at fluctuating prices (according to the more or less self-assured appearance of an inquiring customer).

Welcome legislation regarding price tagging in Shanghai was issued in 1945 but the lack of discipline and the inefficiency of law enforcing in Shanghai have not made it a success although most of the leading stores in all parts of the northern city display on tags the prices of their goods.

S.T. & I. Winter Suits

As another measure to indirectly control prices of European made suits, S.T. & I. has introduced a novel system; English material, previously imported by Govt., has been handed over to a well known tailoring firm here who are obliged to make suits (2 or 3 pieces, or trousers only) at a fixed price of \$160 (for 3 piece suits).

The suits are made of first quality blue serge and customers should have no fear that they will have a cheap-looking appearance merely because they will be produced on a large scale according to specifications laid down by the S.T. & I. The material is good and the tailoring is being undertaken by one of the oldest established and best known firms of tailors in the Colony.

Government had difficulty in choosing a suitable firm from the list of tailors carrying on business in Hongkong, and it is believed that the firm chosen can be relied upon to produce satisfactory work.

tion of Dept. Supplies, Trade & Industry registered those importers who desired to qualify for U.S.\$, Canadian-\$ and Philippine Peso quotas. Over 1,000 applications were eventually received and the total amount requested for imports from the above mentioned 3 countries was U.S.\$ 164,678,000.

Since the first period of exchange quotas was to run only, as a trial period, from June to December, 1947, the requests made were exorbitant and disclose the utter lack of understanding of the meaning of the exchange quota system on the part of the majority of local merchants.

One has to consider the extent of Hongkong's trading with the U.S.—most applications were filed by merchants in respect of goods from the U.S.—so as to appreciate the unrealistic attitude of very many of our importing merchants. On the basis of 9 months trading, the monthly average amount of total Hongkong imports was around U.S.\$ 29 million while our monthly import average for U.S. goods comes to less than U.S.\$ 6 million. This is of course an impressive figure as our imports from the U.S. comprise about 20% of our total imports.

However, only some 10% of our imports from the U.S. are retained for local consumption, the rest is re-exported. Exchange allocations by Hongkong Govt. (Exchange Control) are only granted in case of goods which can be proved to be destined for local consumption. About 90% of our imports from the U.S., which are eventually re-exported, are financed from funds in New York, through inter-merchants' clearings (a form of barter when China produce shipments to the U.S. have over a certain period to balance our merchants' imports of U.S. merchandise), by depositing with local banks U.S. notes and drafts against opening of L/C's.

The approximate total of U.S.\$ requirements of the local commercial community is around U.S.\$ 600,000 per month and it is this amount which may be wholly or partly considered by the Exchange Control for allocation at the official rate of exchange. Until June 1947, Exchange Control officials handled all applications for U.S.\$ and other hard currencies as they came in from individual merchants and private persons requiring U.S.\$ remittances for various non-commercial purposes (travel, studies, family subsidies, etc.) as well as for capital and/or current earnings' transfers.

In order to organise the U.S.\$ etc. requirements by the commercial firms of Hongkong and thus relieve partly the stress of administrative pressure on Exchange Control personnel, the system of exchange quotas was introduced and S.T. & I. were entrusted with this new and quite arduous duty.

When the registration of the 1,000 odd applications was finished S.T. & I. (Exchange Section) exhaustedly came to the conclusion that there was not sufficient U.S.\$ available to cover all items as announced on May 8 under schedules A & B (refer to our issue of May 14 for details) and only the following commodities were allowed exchange quota allocations:—

Motor cars, accessories & spares; tyres; Industrial chemicals, dyes & tanning materials; Pharmaceuticals, toilet preparations & druggist sundries; Wire; Building materials, sanitary fittings, refrigerators & air conditioners; Office equipment; Films and photo equipment; Milk and fresh fruit.

For the above groups of allowed commodities an amount principally in U.S.\$, but also some Can. \$ and Philippine Pesos for the period Jan./Dec., 1947 were granted to a large number of commercial firms here but, for the purpose not to cause a storm of indignation by such merchants who have not been granted exchange or not in what they believe adequate amounts, the exact figure of the total cannot yet be disclosed.

However, it is significant that the total requirements by local applicants only for the above listed commodity groups exceeded the U.S.\$ amount available for this distribution by U.S.\$ 74 million. A reasonable amount asked for by applicants should have been not more than U.S.\$ 3 million.

S.T. & I. also desired to allocate quotas for the importation of iron and steel as well as tinplates; however, on account of the excessive amount of U.S.\$ applied for and the restricted quantities of these items currently available in the U.S. for export, the importers of iron, steel and tinplate were left out for the current period. These importers as well as importers of commodities which were not covered by exchange quota allocations (i.e. the majority of listed imports under schedule A and B as per the original announcement) are required to apply as before at the Exchange Control of Govt. where the usual procedure is being observed.

Complaints were many as was to be expected. However, on the whole merchants who obtained some quota in U.S.\$ are satisfied and only few cases were reported when justified claims were made by aggrieved importers whereupon these claims were settled.

As from January 1, 1947 new exchange quota allocations ought now to be registered but so far S.T. & I. has not yet received new instructions from Exchange Control (i.e. the Financial Secretary). The importation of goods and raw materials from the U.S. as required by the local public and the many industries of Hongkong will have to receive much more methodic attention by the Financial Secretary. Na-

turally, he is under instructions from the Colonial Office and the Bank of England but sufficient latitude is given, as in most cases of management of Hongkong affairs, to Hongkong Govt. officials.

The planned attack on the high cost of living is connected with the steady and ample supply of cheap foodstuffs, consumer goods and industrial raw materials for our factories which produce for export. By allocating U.S.\$ at the official exchange rate (which is currently about 30% cheaper than the unofficial price and open funds rate in New York) imports from America are being subsidised in an effective manner. Apart from the American exporter, it is the local public which has benefitted from the official exchange allocation. However, the cooperation of the importers here is necessary so that only genuine requirements of Hongkong are financed from the U.S.\$ funds of Hongkong Govt. Unfortunately, the many post-war flowers of importing hongs here have been motivated entirely by considerations of profits irrespective of moral factors and the responsibility towards the whole community.

LOCAL PRODUCE MARKETS

Tung oil prices showed firmness caused through good demand from local exporters and influenced by the higher New York prices (about 26 to 27 U.S. cents per lb., f.o.b. U.S. ports). The native market price ex dealer's godown went up to \$160 per picul (133.33 lbs.), a gain of around 10% compared to the previous week. Arrivals of tung oil were strong but still not adequate for current demand.

Rapeseed oil imports which almost ceased to arrive here in September have again picked up and are back to their pre-eminent vegetable oil position, exceeding tung oil as regards quantity and total cash turnover. Demand for rapeseed oil (otherwise known locally simply as vegetable oil) is brisk but arrivals were recently so ample as to cause a decline in quotation; the latest price is \$130 per picul, a drop of about 20% against the previous week. The Chinese Govt. still persists in banning this and other edible (but unrefined) oils from exportation but the local market obtains its supplies just the same. This export banning policy by Nanking is severely criticised not only by merchants and traders but also by Provincial authorities who advocate promotion and not stifling of Chinese exports.

Peanut oil and sesame oil, at almost unchanged prices of resp. \$182 and \$270 per picul, are neglected here which is partly due to the irregular supplies coming here and insufficient attention devoted by local exporters to the development of these two oils.

Teaseed oil remains also at unchanged quotation of \$168, a price which most importers abroad consider too high.

Cocoonut oil from Malaya (under allocation for export to Hongkong and elsewhere) as well as from Siam (including considerable Malayan produce which is smuggled into Siam and then re-exported to here etc.) enjoys a steady market at stable prices, about \$118 to 120 per picul.

Chinese wolfram ore (65%) sold at \$410 to 415 per picul but buying interest is not very keen these days. Tin from Yunnan finds buyers around \$530 per picul, slightly easier compared to previous weeks.

China Produce

NEW YORK MARKET
(in U.S. dollars per pound)
(F.O.B. New York)

Antimony, American, 99½ percent grade in bulk of carload lots	0.33
Tin	0.80
Tungsten (98.8%)	3.05
Wolframite	0.29/31
Aniseed Oil	0.70/85
Cassia Oil	2.50/3.00
Tung Oil, in tank cars	0.26½ nom.
Sandalwood, in drums, depending on sellers quantity & quality	13.75 nom.

Bristles:—

Hankow, Regular As-sortments	2.90
Chungking, Regular As-sortments	1.95
Shanghai, Regular As-sortments	1.75
Tientsin, short 55's	4.10
Tientsin, regular 55's	6.40

Korean Produce

NEW YORK MARKET
(in U.S. dollars, per pound,
F.O.B. New York)

Agar-Agar	3.95/4.65
Beryllium	14.00/16.00
Molybdenum	0.45

Cereals

CHICAGO MARKET
(in U.S.\$ per bushel)

Wheat	
October	3.02
December	2.98
Corn	
October	2.33
December	2.28
Oats	
October	1.21
December	1.18%
Barley	
December	1.82

Black Pepper

NEW YORK MARKET

The spot market was strong boosting futures prices. Sales were small. Asking prices on Lampong at 54 cents a pound and white pepper quoted at 58 cents. Tightness in the market included spot goods and supplies now afloat.

(in U.S. cents, per lb.)

October	46.00
December	44.00
January	45.00
March	37.00
May	33.00

GOVERNMENT RATIONS IN HONG KONG

In order to stabilise prices and to enable the local population to obtain a considerable portion of its daily food requirements at a low price Hongkong Government introduced immediately after the liberation of the Colony a system of rations of essential foodstuffs, principally rice. The first rice ration amounted to one catty (1-1/3 lbs.) per person irrespective of residential or other qualifications. The ration had to be reduced towards the end of December 1945, largely on account of insufficient supplies made available by the South East Asia High Command, to 17 ozs per day. Stricter rationing was introduced as from beginning of 1946 as the rapid growth of the population was outrunning supplies. From 1946 onwards new registrations for rice and other rationed goods were only accepted from such persons who could prove that they lived in Hongkong at least 7 years before the war.

Government for a time in 1946 had to purchase in the local market rice at the free market price which was then around 60 cents against a rationed price of only 25 cents per catty, i.e. Govt. sustained a loss of 35 cents per catty in its endeavour to maintain adequate rice rations. Rice rations were again reduced in mid-February 1946 to 8 ozs., and again reduced in May to 7 ozs; however, flour rations were added as from February 1946 at first 6 ozs later 4 ozs per day.

Rubber Futures

NEW YORK MARKET (in U.S. cents, per lb.)

October	19.05
November	18.80
December	18.55
January	18.35
February	18.15

LONDON MARKET (in pence, per lb.)

December	11.1/16
January	10.15/16
March	10.15/16

Cotton

NEW YORK MARKET

Cotton futures developed weakness after an entire session of steady prices. New Orleans and commission house selling, together with hedging, caused a weak tendency. Cotton textile manufacturers are protesting to the U.S. Govt. concerning the proposed plans permitting Japanese goods entering domestic channels.

(in U.S. cents, per pound)

October	31.57
December	31.85
March	32.09
May	32.10
Middling, spot	32.18

Additional rationed foodstuffs were made available to the registered ration card holders, viz. 2 lbs of sugar per month, 4-5 tins of sweetened con-

densed milk and 4 lbs of peanut oil per month. As from May until the end of 1946 rice rations were maintained on a daily basis of 5 ozs plus 4 ozs of flour. The price was then 25 cents per catty of rice against a pre-war price (in 1937) of 7 to 8 cents.

On account of foodstuff rationing and price control measures instituted by Govt. over practically all foodstuffs and essential commodities, the standard of living of the masses improved and was on the average higher in 1946 than before the war. The nutritional state of the community as a whole was better than it had ever been during the whole decade of 1935-45. Cases of malnutrition were rare and the proportion of patients in hospital with beri-beri was less than one-tenth of the pre-war level.

Today's Rationing

Current Govt. rations are as follow: 3 1/2 catties of rice per 10 days at a price of 40 cents per catty (against 80 cents on the free market); 1 1/2 lbs of flour per 10 days at 33 cents per pound; 2 lbs of sugar per month at 45 cents per pound. There are about 1.1 million registered card holders and new applications for registrations are received now only in small number due to the provision that ration ticket applicants have to prove residence in the Colony of at least 7 years prior to 1942.

The number of registered holders of tickets permits also to calculate the present total population which is estimated at over 1 1/2 million. At least half as many people are living now in Hongkong as there are old residents (i.e. residents who have been staying in the Colony at least as from 1935).

The rationing of rice, flour and sugar necessitates large imports by Govt. as the average monthly requirements are 6,600 tons of rice, 2,200 tons of flour and 1,000 tons of sugar.

Very considerable quantities of commodities were previously rationed like: biscuits, washing soap, quilts & blankets, knitting wool, cotton cloth of various kinds, cooking oil, firewood etc., but such is now no longer necessary on account of a general easy supply of most essential goods and the strict price controlling of them.

The rationing system is operated by Dept. Supplies, Trade & Industry (Rice Control Section) who have authorised two dealers (Wing Wo Hong for rice and flour, and Wing Tai Hong for sugar) to distribute rations in bulk to the registered retail shops for eventual sale to the public against production of the individual's ration ticket.

All rationed goods are imported by Govt. in adequate quantities and local stocks are high. Rice is, under international allocation, principally procured from Siam and a smaller quantity from Burma; flour is shipped here from Australia.

UNRRA SUPPLIES TO CHINA VIA HONGKONG

Hongkong's part in assisting in the fulfilment of U.N.R.R.A.'s program in China was of great importance. In volume of relief and rehabilitation supplies received on behalf of China, the Crown Colony ranks second only to the port of Shanghai. U.N.R.R.A.'s office in Hongkong acted and continues to act as an administrative unit concerned solely with the turning over of U.N.R.R.A. relief supplies landed here to C.N.R.R.A. The latter agency is responsible for the transshipment of U.N.R.R.A. supplies at their final points of destination.

U.N.R.R.A. operations started in Hongkong on December 31, 1945, with the arrival of the s.s. "Hanyang," just one month after the commencement of active U.N.R.R.A. operations in Shanghai with the arrival and unloading of the s.s. "Emile Vidal" in early November 1945. There have followed over 1,000 ships which, in little less than two years, have brought over 2,300,000 tons of relief and rehabilitation supplies from all corners of the globe to China.

Hongkong's share in these gigantic operations amounted in the same period to over 200 ships unloaded, while in addition 13 air shipments with medical supplies were channeled through the Crown Colony.

The total quantity of U.N.R.R.A. supplies received in Hongkong and turned over to C.N.R.R.A. for transshipment and distribution amounted in early September to ten percent of the total China program or 368,000 of the aggregate 2,300,000 long tons of U.N.R.R.A. goods so far received by China. Present schedules provide for discharge in Hongkong of over 5,000 long tons of the balance of 400,000 long tons scheduled under the U.N.R.R.A. China program.

As in the overall China program the initial shipments of U.N.R.R.A. supplies received in Hongkong were foodstuffs. Agricultural and industrial rehabilitation supplies, consisting of tractors and other farm machinery, communications equipment, and manufacturing machinery soon outnumbered foodstuffs, when the relief phase of U.N.R.R.A.'s operations had been completed.

Among the bigger shipments of U.N.R.R.A. supplies received in Hongkong and transhipped to Canton were large numbers of freight cars, locomotives, locomotive cranes and railway bridging material. One of the largest shipments of American locomotives (47 Baldwin and Lima Locomotives) were unloaded here in March 1947. All railway rehabilitation material and heavy engines were transhipped to Canton from Hongkong for assembly at a special railway repair shop.

EXCHANGE & FINANCIAL MARKETS

GOLD TRANSACTIONS

Prices on all Far Eastern exchanges continued on the weak side and the approx. price at which gold is now to be had all over the Far East is US\$50 to 51 per troy oz. The local average price last week was HK\$340 per tael and US\$51 52 per troy oz. The week's highest and lowest local prices resp. were 355½ and 337½ per tael, while average prices in Shanghai and Canton resp. were (computed into HK\$) 348 and 342 per tael. The highest gold price in Shanghai last week corresponded to HK\$380 and the lowest price was under HK\$340 per tael. Canton's black markets quoted around HK\$340/343.

Gold imports into Macao from Siam were around 20,000 ozs. and some small imports of gold from the Netherlands Indies were also reported. Bangkok gold costs around HK\$340 per tael. Gold imports from Manila are largely

Machinery for the rehabilitation of manufacturing plants in South China shipped by U.N.R.R.A. via Hongkong include complete equipment for cement plants, tile and brick factories, textile mills, and machine tools such as lathes and milling machines for a large variety of industries.

U.N.R.R.A. is turning over its supplies to C.N.R.R.A. here who then ship them from Hongkong by river junks, barges and railroad to Canton including Wuchow, Tsamkong, Swatow and other distribution centres. During the great Hunan famine in 1946, U.N.R.R.A. rice was shipped directly from Hongkong to Hengyang by rail, and it was largely because of the speed and efficiency with which transshipment was carried out in Hongkong that the Hunan famine of 1946 was stemmed and recurrence this year prevented.

The U.N.R.R.A. staff in Hongkong number nine Europeans and about 30 local (European and Chinese) employees. In addition seven U.N.R.R.A. staff members were transferred to the Preparatory Commission of the International Refugee Organisation's branch in Hongkong, which took over U.N.R.R.A.'s work for the repatriation of war-displaced persons.

Hongkong's part in U.N.R.R.A.'s China program—largest of U.N.R.R.A.'s world wide post-war relief and rehabilitation efforts—which is now coming to a close, has been commensurate with its position as the biggest natural harbour in South China. The Colony has done its share in the great task undertaken by the United Nations to help put China back on her feet.

In our issue of August 27, p. 318, the position of U.N.R.R.A. supplies to China for the period January to May 1947 was reviewed.

routed via Chinese ports along the Fukien and Chekiang coast; since official auctions in Manila brought last week at first U.S.\$51 later \$49½ per oz. very small profits could be realised by Chinese gold traders who regularly ship gold from Manila to China.

The New York free gold market sold gold, under influence of much inquiry coming from various countries, at around US\$45 per oz. which constitutes almost a record for 1947. Local bullion circles have reportedly contracted larger quantities for importation into Macao at prices between U.S.\$42 to 44 per oz.

Total cash transactions here last week were around 88,000 taels.

US\$ TRANSACTIONS

Continued absence of large inquiries for notes, drafts and T.T. New York caused the market to remain on the weak side. Simultaneously, there occurred further heavy sales of US\$ drafts, mostly drawn by American banks on New York, coming from overseas Chinese who either send this money to their relatives and friends or who dispatch drafts to Hongkong for eventual personal cashing when arriving here en route for their native places.

Speculative buying of US\$ has ceased since a few weeks and there is a tendency by holders of large accounts in New York to liquidate parts of them for re-investment in Hongkong, China or Far Eastern business.

A tight money position has slowly gained momentum here which is a consequence of unusually large stocks of commodities carried now by importers, dealers and retailers. Local sales are no longer brisk as current demand has been well satisfied; exports to China are strongly curtailed not only by the Chinese import restrictions but on account of the poverty of the masses and the further decline in the purchasing power of the Chinese people in all parts of their civil-war ridden country.

Small US\$ drafts were bought by exchange shops only at some 5% discount against the quoted rate. Large denomination drafts (payable in the U.S.) are regularly bought by native banks and some clerks in Exchange Association banks (presumably though not certainly without the knowledge of the management). They are collected and dispatched from here by registered mail to the U.S. or entrusted, in few cases, to the good services offered by travellers or certain members of the staff of shipping companies or the ship's crew.

Highest and lowest rates for the week were: notes 548—534; drafts 553—544; T.T. 567—555. At the end of the week the local cross rate came to US\$2.90 per £.

TIGHT MONEY POSITION

As outlined under "US\$ Transactions" the overstocking of imported cargo by local business men has intensified the tight money position here, a development which was generally anticipated. Only quicker offtake of commercial imports can ease the position. It appears that commodity prices are bound to decrease under the impact of heavy stocks and the further large arrivals of goods directly from countries of origin or from Shanghai (blocked goods of the pre-and post-zero periods).

Commercial banks charge between 5 to 6% on overdrafts while some native banks are in the habit to ask for over 10% p.a. on loans against security. Private loans against depositing of shares and mortgages are currently given at an annual rate of interest of 12 to 14%. Monthly interest by native banks and private financiers is around 1.1 to 1.2%. Many credit seekers who are refused loans by the commercial banks in excess of 50 to 60% of the security offered turn to native banks who advance up to 80% and for well-introduced clients with "face" or pull a full 100% of the security. Interest on private loans was charged in 1940 also at the rate of 12 to 13% p.a.

BANK NOTE MARKETS

The piastre market was highly excited and rumours were spread with gusto. The week's cash turnover was I.C. piastre 8,160,000 at prices which ranged from HK\$10½ to 11 per 100 piastres. Recognition or non-recognition of piastre issues of the Japanese control time, the impending but unconfirmed issue of banknotes by the Viet-minh regime to the tune 1½ billion of local scrip, and the development of peace talks and military campaigns exercised the brains of the speculators and Indochina traders.

CN\$ MARKETS

Confusion about developments in China is prevalent but one thing is clear: deterioration is progressing. Mad movements of all-round prices were shaking the common people of Shanghai and gloom and nervousness are general. The violent inflation and disorganisation of the national economy of China make events as occurred last week inevitable.

The US\$ on the black market topped once CN\$95,000, rice per picul (80 kgs in Shanghai) skyrocketed to almost 900,000 Chinese dollars and all essential commodities scored once again records. Then some reaction set in which carried prices back to lower levels. At the end of last week the US\$ rate stood at CN\$82 to 85,000 against an unchanged official open market rate of Central Bank of China of CN\$56,000. While all Shanghai went haywire over the frantic ups and downs of prices, the "open market" rate of Central Bank remained aloof from such earthly antics.

Secret and economic police was again on the loose in Shanghai and extralegal detentions and searches were the rule of the day. But also Canton got some scare as search parties and secret police agents stalked the areas where banks and known black marketeers are located. Several banking firms were closed and the remittance of CN\$ within China was at first prohibited later put under "control". Earlier last week some 50 billions per day arrived in Canton from Shanghai but that was "remedied" by the authorities by simply prohibiting further Shanghai remittances to the South. Still, official prohibition and actual enforcement, even proper interpretation of such domestic financial embargoes, are two entirely different things.

The reverses suffered by the boasting generals of the Nationalist armies in North China and Manchuria have also caused heavier remittances of money from the North to Shanghai and South China cities.

The bankrupt Nanking Govt is banking all its hopes on the great American loan and the many small American gifts and grants. That appears to keep the Chinese dollar on its precarious level of today. The extent of the great American loan, for which the U.S. has so often been cajoled and blackmailed, will determine the temporary value of CN\$ in terms of foreign exchange. Until some more concrete news is available about America's help to China, provided that it materialises at all, the internal and external value of CN\$ is bound to slump further.

OFFICIAL EXCHANGE TRANS-ACTIONS

The current official exchange rates as agreed upon by the Exchange Banks Association of Hongkong are regularly published in this Review. These rates are charged by banks to merchants and other clients.

	Sterling	US\$ and Canad.\$	Straits \$	Indian Rupee	Philippine Peso	Selling		Buying	
						1/3	1/3-1/3rd	1/3-1/3rd	1/3-1/3rd
						(for any delivery, up to March for selling, up to December for buying)			
						25 1/2	25 1/2	25 1/2	25 1/2
						53 1/2	53 1/2	53 1/2	53 1/2
						83 1/2	83 1/2	83 1/2	83 1/2
						50.9/16th	50 1/2	50 1/2	50 1/2

HONGKONG OFFICIAL EXCHANGE RATES AGREED MERCHANT RATES

MAXIMUM SELLING		MINIMUM BUYING	
STERLING. 1/2 15/16	delivery within 2 months with a cut of 1/32 for every further 3 months forward.	1/3 1/32 T.T.	1/3 1/16 O/D.
		1/3 3/32 30d/s.	1/3 1/8 60-90d/s.
		1/3 5/32 120d/s.	
—Do—		1/3 1/8 O/D if under L/Credit.	1/32nd up every 30d/s.
(East & South Africa)		1/3 3/16 O/L with L/Credit.	
—Do—		1/3 5/16 O/D if under L/Credit.	
(West Africa & West Indies)		1/3 3/8 O/D with L/Credit.	1/32nd up every 30d/s.
RUPEES (India)	82 1/2	83 1/2 T.T.	84 O/D.
		84 1/2 7 & 30d/s.	84 1/4 60d/s.
		84 1/2 80d/s.	
—Do— (Rangoon)	82 1/2	All buying rates 3/16th higher than India.	
—Do— (Aden)	82 1/2	84 1/2 O/D if under L/Credit.	84 1/4 O/D without L/Credit.
		84 3/4 30 & 60 d/s.	53 1/2 T.T. & O/D.
STRAITS \$	53	34 3/4 30 & 60d/s.	25 1/2 T.T.
U.S.\$	24 15/16	25 5/16 O/D—30d/s.	25 3/8 60—90d/s.
CANADA	24 15/16		
U.S.\$ NOTES.		25 1/2 (Banks to pay Insur- ance and Postage).	
AUSTRALIA.	1/6 1/2	1/6 7/8 T.T.	1/6 15/16 O/D.
NEW ZEALAND.	1/6 7/16	1/6 13/16 T.T.	1/6 7/8 O/D.

SELLING RATES OF THE HONGKONG & SHANGHAI BANKING CORPORATION

T.T. London 1/2-27/32.
T.T. Shanghai nominal.
T.T. Singapore 52 1/2.
T.T. India 82-3/8.
T.T. United States 24-7/8.
T.T. Manila 50-1/16.
T.T. Canada 24-7/8.
T.T. Bangkok 243.
T.T. France 2970.
T.T. Switzerland 107.
T.T. Australia 1/6-3/8.
Buying rates will be quoted on application.
U.S. cross rate in London 402 1/2—403 1/4.

HONGKONG UNOFFICIAL EXCHANGE RATES (IN HK\$)

		CN\$ (per one million)		S'hai		Canton		US\$		(per 100)		Pound	
		Spot	Forward	T.T.	T.T.	Notes	Draft	T.T.	I.C.\$	Guilder	Baht	Note	Note
Oct.	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
13	355 1/2	348	84	83	79	77 1/2	66	77	543	553	567	11 1/2	27 1/2
14	355	349 1/2	83	82 1/2	81 1/2	77	62	77	538	550	552	11	28
15	351	347 1/2	85	83 1/2	84 1/2	82	66	76	537	550	562	10 1/2	30
16	354	343	81 1/2	81	80 1/2	79	64	72	536	548	560	10 1/2	30
17	344	337 1/2	84 1/2	81	84	80	68	74	536	546	558	10 1/2	29 1/2
18	341 1/2	337 1/2	84	83	83	81 1/2	73	77	535	544	556	10 1/2	29 1/2

INDUSTRIAL NOTES AND REPORTS

HONGKONG TEXTILE INDUSTRY

The rehabilitation of the cotton weaving and knitting industry which has been one of the most prosperous light industries of Hongkong progressed satisfactorily during the past two years. At least 70 percent of the Colony's prewar cotton weaving factories have resumed operation and are producing cotton cloth for local consumption as well as for export mainly to Malaya, the Philippines, Siam, Indo-China and Dutch East Indies. Due to strict Chinese control regulations over import, Hongkong manufactured cotton cloth can hardly find its way into China.

There are now 270 cotton cloth weaving factories registered with the Hongkong Cotton Cloth Manufacturers' Association having at present a total labour force of more than 4,500, about two-thirds being female workers. In addition there are perhaps another 50 odd smaller weaving factories operating here without being registered with the Association. These 270 registered factories have at their disposal 2,570 power driven looms and 4,300 hand looms capable of producing on the average 800,000 yards of cotton cloth every month in one shift of 12 hours daily. At full operation they consume approximately 4,000 bales per month of cotton yarn of chiefly of 20's.

When compared with prewar costs, today's cotton cloth production cost is about five times higher and the retailing price is about six times more expensive. In 1941, a bale of 20's cotton yarn sold at \$280 whereas the present price is \$1,400 at the controlled price of Govt. (price on open market is about \$50 higher). The cost of labour to-day is likewise about five times the prewar wages. When cotton yarn quoted \$280 per bale in 1941, the retail sales price of finished cotton cloth was \$6 per piece of 40 yards in length by 28 inches in width. To-day, when cotton yarn costs the mills \$1,400 per bale, the finished product is \$37 per piece of cloth.

Hongkong Government through the Department of S.T. & I. started controlling cotton yarn at the beginning of 1947 when it set the maximum price at \$1,600 per bale, which was revised to \$1,500 on June 1, and again to \$1,400 on Oct. 1. The wholesale price of finished cotton cloth was pegged at \$50 per piece on Jan. 1, \$45 on June 1, and \$37 since Oct. 1.

To suit the demand of the natives in the Netherlands Indies, local manufacturers have recently started manufacturing sarongs which are there in greater demand than cotton cloth.

Cotton yarn supplies are obtained from Japan and China. Though Japanese cotton yarn is slightly better

in quality and cheaper in price than Chinese yarn, it has to be paid in U.S.\$ in New York. It was therefore most welcome for the population here and the authorities to witness the establishment of cotton spinning mills in the Colony, as they will be able to supply most if not all cotton yarn to local weaving factories and thus also to save Hongkong's American currency funds for other import purposes.

At present, there are two cotton mills with a total of 13,000 spindles going to start spinning very soon. These two cotton mills will be able to produce about 900 bales of cotton yarn a month, which of course is still far from the amount of yarn required by local textile manufacturers.

The total monthly requirements of the local weaving and knitting factories, hosiery and wearing apparel manufacturing mills, when operating at full capacity but at one shift plus about 2 hours overtime, should aggregate over 6,000 bales of cotton yarn. At present, the majority of textile factories operate only at between 25 to 45% of capacity so that current yarn consumption is only around 2,500 bales.

It is optimistically anticipated that there will be an increase of cotton piece goods manufacturing factories in Hongkong in 1948 which may then lead to an increase in demand for cotton yarn. The various industrial promotion plans of Chinese and British cotton spinning mills provide for some 100,000 spindles to be installed in Hongkong. As mentioned above, 13,000 spindles are expected to be in operation at an early date, another 30,000 spindles may be put up here during late Spring 1948, and some 50,000 spindles are contemplated to be established here during the latter part of 1948 provided that working conditions and profits of the two pioneer mills may be found interesting.

CHINESE CANNED GOODS, MEDICINES, WINES

Shanghai manufacturers of canned foodstuffs have never enjoyed a high reputation for the reliable quality of their products but after the war there have been many newcomers and unscrupulous manufacturers mushrooming mostly in Shanghai who have so far succeeded to make importers abroad extremely cautious as regards purchases in China of canned goods, bottled wines Chinese medicinal substances etc.

Complaints about inferior methods used by such Chinese manufacturers have become common and many over-

seas Chinese buyers of canned foodstuffs have sustained losses on account of the often rotten contents of the tins.

Some Hongkong manufacturers have also not come up to the standards of honest and efficient production and some export lots of canned goods, medicines and wines—partly not actually originating here but labelled in Hongkong—were held up abroad on account of bad quality or were refused by overseas buyers before taking delivery.

Complaints come from many parts in the Far East where overseas Chinese reside and like to buy certain goods made in China; but it was the Chinese and other buyers in the U.S. who were most vociferous in their claims and a number of scandals, big and small, are developing in America. The position of Chinese made canned goods is also affecting Hongkong-made similar products and may lead to a serious curtailment of locally manufactured canned goods in case of further aggravations of the current official inquiries made in the U.S.

At present, considerable amounts of merchandise have already been tied up in San Francisco. As this is the largest Chinese community in America, findings and decisions of the United States Government Bureau of Pure Foods, Drugs & Cosmetics will largely determine similar interpretations of other ports of entry throughout the United States. Should the Bureau decide to reject all these imports, it would affect the livelihood of many Chinese merchants, unless speedy action to improve the products in conformity with the United States regulations is undertaken by the Chinese manufacturers and exporters.

The U.S. Bureau is not likely to release Chinese made canned goods etc. if their contents prove dangerous to the health of consumers. The reasons for the detention of Chinese made goods such as tinned foodstuffs, beer, curd, salted fish, Chinese type liquor, Chinese medicines etc. are as follow:—

Mouldy and decomposed; insect-infested and decomposed in part; Chinese wine which contains non-permitted dye; Chinese medicine which contains unwarranted therapeutic claims and no list of active ingredients; misbranded mandatory English label lacking.

Many Chinese delicacies such as sausages, dried ducks, gizzard are also found to be decomposed, infested and mouldy.

It is of course necessary that Chinese manufacturers secure uniformity in English translation and data on the dosage and usage of medicines and also on the properly defined food products as to its main use.

LABOUR PROBLEMS IN SHANGHAI

The majority of Shanghai's industrial labourers is opposed to the policy of the Kuomintang and is sympathetic towards the Communist Party. In its endeavour to influence labour in Shanghai and to curb the progress of anti-Kuomintang propaganda the Shanghai Municipality (i.e. the Mayor), with the aid of the Chinese army and secret police, has taken recently steps which brought about a crisis between the Chinese authorities and the industrial workers of Shanghai; in between is management which cannot and does not like to side with either the authorities as there is too much extra-legal (secret police) interference or with labour who have drifted too far to the left.

During recent weeks secret police organs have detained many labour union officials and politically active labour leaders. The answer by organised workers was strike or threat of strike a development which has seriously embarrassed management and the public at large. The civil war has inflamed the adherents and sympathisers on both sides of the great national divide; the Kuomintang is threatened from the rear as well as from the very centre by sabotage groups and so-called third columns. As the tempo of the internal war is assuming an increasingly fiercer character and reconciliation appears out of the question, the methods applied by the secret police of the Kuomintang become more ruthless.

In this atmosphere industrial production is carried on in Shanghai. The situation is explosive although for some time to come the authorities there are not countenancing any real physical danger. However, the underground struggle is in an organised state and the position daily aggravates.

The Shanghai Power Co., an American-owned and operated concern, has also been involved in this struggle between the Kuomintang and large parts of organised labour. Recently some employees of the Power Co. were arrested by the secret police whereupon a strike was called by the workers of this public utility firm. Eventually, strong arm methods by the authorities (the Mayor and the General commanding the army garrison in Shanghai) succeeded in breaking the strike.

At many previous occasions labour unions in Shanghai have called strikes on the slightest provocation and pretence, and they usually succeeded to get management to fulfill their demands. Foreign as well as Chinese factories and enterprises of any sort have been subjected to unfair strike threats and practices, and, while the Kuomintang needed the support or at least their passivity in the civil war, labour obtained all required political

HONG KONG STOCK & SHARE MARKET

Increased activity was reported for the week, Oct. 13 to Oct. 17, with a corresponding rise in volume compared to the previous week. Interest widened considerably resulting in transactions in several issues which were more or less dormant recently.

The outstanding feature was the predominance of buyers of all popular and active counters on dips. It is interpreted by competent observers as denoting the underlying strength of the market, and, in turn, the continued availability of large funds seeking investment. This observation is partly supported by quantity buying at levels apparently set by investors as economic ones.

backing from Nanking. However, it became patent that labour was nonetheless pursuing its own course in politics which appeared to be opposed to the Kuomintang national policy. Therefore, previous backing by Nanking, which exasperated management, changed into its opposite and eventually labour finds itself vis-a-vis a hostile Kuomintang.

At the height of the recent strike threat of the Shanghai Power Co. employees, the American firm, in its dilemma between two unpalatable camps, appealed to the public with the following open letter parts of which are here reproduced:—

Open Letter by the Shanghai Power Co. and Western District Power Co. of Shanghai:

Since September, 1945, employees of these companies have struck, with and without prior demands, many times. They have abandoned their duties to the public without prior recourse to lawful and provided procedures. They have loafed or carried out so-called "sit down strikes." They have refused to carry out emergency repair duties.

In the present incident, a strike of Chinese employees was called in order to coerce the City Government to release 6 employees allegedly arrested by the police.

Briefly, the employees challenge the authority of the Government with the interruption of essential electric service.

These Companies supply approximately 90% of the electric power utilized in the Shanghai area. They supply about 96% of the power utilized in the factories within their franchise areas.

At this period of crisis in China's affairs, and without recourse to provided protective procedures, the employees have wilfully jeopardized the economic life of Shanghai.

The Government has issued a proclamation ordering employees to resume their duties with the Companies.

The electric service supplied the public is essential in the maintenance of law and order, health, and to the industrial recovery of this area. There is no substitute for electric power.

BANKS receded to \$2056, a decline of \$75, at which level a fair volume was transacted. BANK OF EAST ASIAs was in demand at increasing rates with business reported from 115 to 118.

INSURANCES: Business was reported in CANTONS at 410, 415 & 412½; UNIONS at 800, 790 & 792½; UNDERWRITERS, from 9 to 8½; and, HK FIRES at 300.

SHIPPING: WATERBOATS old was in demand from 44 to 46 without attracting sellers, while sales of new shares took place at 43½ and 44½.

About ½ the investment of an electric utility company is for generating plant, while the other half is required for equipment to carry the power from the generating station to the consumer. It is obvious that if more than one company served a given area then the streets would be filled with duplicative cables, poles, wires and transformers. The added costs of such duplicate services would finally be included in the rates to the public. Briefly the cost of electric service would be higher.

In view of the exclusive features of the electric utility business, it is necessary that a franchise be granted each utility company by the competent governmental authority. In the franchise the rights and obligations of the electric utility company are clearly and specifically defined.

The Bureau of Public Utilities is the governmental authority wherein is placed the control of Shanghai Power Company and Western District Power Company of Shanghai under their franchises.

Employees of electric utility companies are trained for specified duties. Each type of plant has its own prescribed safe operating procedure. After periods of training, varying from months to years, operating personnel qualifies for specific duties. This means that each employee is limited in respect to available jobs—his value to one company may be vastly greater than to any other company.

In view of the fact that it has cost them money to train their employees, utility companies will naturally protect those employees in regard to self-respecting treatment, working hours and conditions, wages and provision for retirement. Each employee represents an investment which must be prudently protected and cherished.

Operation of high voltages is dangerous, despite careful design, and careful schooling in operation. A mistake in procedure may cost the lives of many men and the destruction of valuable, today almost irreplaceable, equipment.

In view of these factors the employees of these companies have received a standard of pay and benefits somewhat higher than they could probably receive elsewhere.

DOCKS, GODOWNS: Transactions occurred in DOCKS from 41 to 41½, closing at 41. PROVIDENTS improved to 26, a rise of 1½.

LANDS, HOTELS: In this section interest was shown only in HOTELS with a rise to a new postwar high of 27½ to close at 26½, and HK LANDS which improved to 85½ for old and 83½ for new, a rise of 3½ & 2½ respectively.

UTILITIES: The main feature in this section was the spectacular rise of PEAK TRAMS to 19 a gain of 7½. HK TRAMS found ready takers from 26 to 26½. STAR FERRYS had transactions at 135, and YAUMATI FERRYS eventuated in business at 23½. CHINA LIGHTS old was dealt in from 22½ to 22 while the new was in steady demand at 17. ELECTRICS lost 2½ points to 54 with good business reported; RIGHTS came to business from 44½ down to 42. Business was reported in TELEPHONES old at 44, 43½ & 43.

INDUSTRIALS: After dipping to 35½ CEMENTS recovered to 36½. ROPES were in good demand with business reported from 22 to 24, a rise of 2½.

STORES: Transactions were reported in DAIRYS from 98 to 104 closing at 103 for a gain of 6 points. WATSONS were also in good demand improving 5½ with business between 77 and 83½ closing at 82½. These are new all time highs for Dairys and Watsons. LANE CRAWFORDS had transactions from 66 to 65, with buyers offering 62 and sellers asking 65 at the close. Business occurred in SUN CO. at 5.35 & 5½ and CHINA EMPORIUMS at \$12.

The market trend and its action may be better gauged by Mr Felix M. Ellis' price index for the trading days of the week. It is based on 12 representative active shares. Day by day his averages were: Oct. 13, 153.31; Oct. 14, 153.85; Oct. 15, 154.00; Oct. 16, 154.39; Oct. 17, 153.94 representing a net gain of .55 over the previous period. The low for the year was 123.88 while the high was 155.82 on May 3.

DAIRY FARM: Though the possibility of a reconstruction of the capital was predicted in our issue of Oct. 8, frankly, we were unaware it was under consideration or that a decision was imminent. An announcement was made on the 18th, a non-trading day, that the Board of Directors had decided to increase the capital to \$7½ millions represented by 1 million shares, and an offer would shortly be made to shareholders offering two new shares for every three shares held at \$7½ plus a premium of 7½. In effect this will increase the issued capital by 195,556 shares to 488,891 shares representing a total of \$3,666,682.50 or an actual increase of \$1,466,670.

Conservatism appears to underlie the decision. The objective is attained by the issuance of as small a

number of new shares as possible without menacing present scale of distribution of dividend and bonus (\$4 per share) on the increased capital. Pending further announcement it may be reasonable to assume that payment for the new shares will not be required until the end of the year, in which case the new shares will rank for dividend as from Jan. 1, 1948. This proposed increase in capital should place the company in an enviable financial position to consummate expansion plans with an adequate balance to maintain the standard of its many efficient branches without resorting to borrowing. A resume of its many ramifications will be found in our issue of Oct. 8. Assuming our deductions to be correct, the maintenance of the present distribution of \$4 per share on the increased capital in 1948 should not present difficulties, involving as it does an additional sum of only \$772,224 per annum.

Dairy Farm, Ice & Cold Storage Co., Ltd.

A meeting of the Shareholders will take place soon at which a resolution is to be passed increasing the authorised capital of the Company from 300,000 shares of \$7.55 each=\$2,250,000 to

1,000,000 shares of \$7.50 each=\$7,500,000. The issued capital of the Company at the moment is 293,335 shares of \$7.50 each. A new issue on the basis of two new shares for every three shares held is proposed to be issued at a premium of \$7.50 per share. Such an issue would bring the Issued Capital to 488,891 shares.

H.K. Stock Exchange Sub-Committees

Two sub-committees have recently been formed for the following purposes: (1) with Mr. N. V. A. Croucher as convener for discussing with Govt. officials propositions for the licensing by Govt. of sharebrokers; (2) with Mr. G. A. Harriman as convener for discussing tax questions with the Inland Revenue Dept.

The number of outside and independent brokers has increased of late and the question of licensing brokers engages the attention of the Committee of H.K. Stock Exchange Ltd. since quite some time.

The question of an eventual sale of the building of the Exchange at a price in excess of \$3 million is also on the official agenda.

STOCK EXCHANGE QUOTATIONS

	Oct. 14	Oct. 17	Oct. 20
H.K. & S. Bank	212½	208½	2100
H.K. & S. Bank (Lon. Reg.)	£117½	111½	112½
Chartered Bank	£ 11	10½	10½
Mercantile Bk. A. & B.	£ 21	21	21
Bank of East Asia	115	118	118
Carlton Ins.	410	407½	400
Union Ins.	795	800	800
China Underwriters	9	9	9
H.K. Fire Ins.	280	300	300
H.K. & K. Wharves	245	250	250
H.K. Docks	41	41½	41½
China Providents	25	26	25½
S'hai Dockyards	16	16½	14
H. & S. Hotels	28	27	27
H.K. Lands	85	85½	85½
S'hai Lands	5½	5½	5½
Humphreys Estates	32	31½	30
H.K. Realities	18	18	18
H.K. Tramways	26½	26½	26½
Star Ferries	138	134	134
Yaumati Ferries	25	23½	23½
C. Lights (Old)	22½	22	21½
C. Lights (New)	17	17	17
H.K. Electrics	56½	55	54½
Macao Electrics	24½	24½	24½
Telephones (Old)	45	43	42
Telephones (New)	39½	38	38
Cements	36½	36½	36½
H.K. Ropes	22	24	24½
Dairy Farms	98	102½	105
Watsons	78½	84	84
Lane, Crawfords	66	65	66
Ewos	12.35	12½	12½

Brokerage Fees

Effective from October 15, 1947, the following scale of brokerage is in force:—

For shares priced at	Cents per share
Under 50 cents per share	1%
From 50 cents but under \$1 per share	1½
\$1 but under \$2 per share	2
\$2 but under \$3 per share	3
\$3 but under \$4 per share	4
\$4 but under \$7.50 per share	5
\$7.50 but under \$10 per share	7½
\$10 but under \$20 per share	10
\$20 but under \$30 per share	15
\$30 but under \$40 per share	20
\$40 and over	¼%

The scale for Loans and Debentures is ¼%.

Minimum charge for Brokerage \$5.00.

Brokerage at the above scales is charged both to buyer and seller.

Division of Brokerage with Members of the Exchange Banks Association of Hongkong:—As from Oct. 15 brokerage payable to members of the Exchange Banks Association has been fixed by the Committee of H.K. Stock Exchange at 1/8th %.

Competition among brokers has been rather pronounced since trading was unofficially resumed at the beginning of this year. Business, except for a few weeks, never reached large turnovers which fact was responsible for the non-adherence by many members of the Stock Exchange to the rule of the Exchange making it obligatory for a broker to charge 1% brokerage. Many brokers were returning to their clients ½% or reserved it for non-member brokers and runners who were bringing business to the registered share-broker.

The new reduced scale of brokerage (¼%) only recognises officially what was known to most clients of sharebrokers throughout 1947. In actual operation, brokerage as earned by the sharebroker will probably be further reduced to ¼% only as non-member brokers, runners and direct clients will certainly request a part or half of the total commission. It is only in exceptional cases that a broker can charge a direct buyer and direct seller, thus earning 1%, in which case he can easily afford to split the brokerage with a runner.

PLANS FOR THE LAND REFORM IN CHINA

In our issue of July 9, pp. 165/7 a review of Kuomintang and Communist Party programs and methods for the tackling of the most important problem of China, Agrarian Reform, was published. Below follow the latest Communist proposals regarding the realization of the Agrarian Law in the areas under control of the Communists.

Following is the text of the "Basic Program on Chinese Agrarian Law," promulgated October 10 by the Central Committee, Chinese Communist Party, and the "Resolution on Publication of the Program."

(1.) RESOLUTION ON PUBLICATION OF BASIC PROGRAM ON CHINESE AGRARIAN LAW:—

China's agrarian system is unjust in the extreme. Landlords and rich peasants who make up less than 10% of the rural population hold approximately 70 to 80% of the land, cruelly exploiting the peasantry. Farm labourers, poor peasants, middle peasants, and other people, who make up over 80% of the rural population hold a total of only approximately 20 to 30% of the land. These conditions are the root of China being the victim of aggression, oppression, poverty, and backwardness, and the basic obstacles to China's democratization, industrialization, independence, unity, strength and prosperity. To change these conditions, it is necessary to wipe out the agrarian system of feudal and semifeudal exploitation, and realize the system of Land to the Tillers. For 20 years, especially the past 2 years, under the leadership of the Chinese Communist Party, Chinese peasants have made enormous achievements and rich experience in carrying out land reform. In September of this year, the Chinese Communist Party convened a nationwide agrarian conference, and enacted the Basic Program on the Chinese Agrarian Law; to serve as a proposal to the democratic governments of all areas, peasants meetings, peasants congresses and their committees.

Brokers' "Bought" and "Sold" Notes

In accordance with the stipulation of the Amended Stamp Ordinance, 1947—vide our issue Sept. 10, p.374—all brokers' bought and sold notes have to be stamped with 10 cents per \$100. The Treasury (Revenue Branch, Collector) sells Contract Note stamps to authorised brokers and also to principals who conduct transactions.

Shares in Non-exempted Companies

Owners of shares registered in their names and holders of shares registered in a name other than their own must register their holdings with the Companies concerned.

(2.) BASIC PROGRAM ON THE CHINESE AGRARIAN LAW

Passed by the Nationwide Agrarian Conference of the Chinese Communist Party, September 13th, 1947.

Article 1. The agrarian system of feudal and semi-feudal exploitation is abolished, the agrarian system of Land to the Tillers is to be realized.

Article 2. Land ownership rights of all landlords are abolished.

Article 3. Land ownership rights of all ancestral shrines, temples, monasteries, schools, institutions and organizations are abolished.

Article 4. All debts incurred in the countryside prior to the reform of the agrarian system are canceled.

Article 5. The legal executive organs for the reform of the agrarian system shall be the village peasants meetings, and the committees elected by them; the assembly of the poor peasants league and organized by landless and landpoor peasants of villages, and the committees elected by it; Chue, Hsien, provincial and other levels of peasants congresses, and committees elected by them.

Article 6. Except as provided in article 9, Section b, all land of landlords in the villages, and all public land, shall be taken over by the village peasants unions, and together with all other village land, in accordance with the total population of the village, irrespective of male or female, young or old, shall be unified and equally distributed; with regard to the quantity of land, surplus shall be taken to relieve dearth, and with regard to the quality of land, fertile land shall be taken to supplement infertile so that all the village people shall obtain land equally; and it shall be the individual property of each person.

Article 7. The unit for distribution of the land shall be the Hsiang or administrative village equivalent to Hsiang. But Chue or Hsien peasant unions may make certain necessary adjustments between various Hsiangs or equivalent administrative villages. In areas where the district is extensive and the population sparse, and for the purpose of convenient cultivation, comparatively small units below the level of the hsiang may be taken as units for the distribution of the land.

Article 8. Village peasants unions shall take over the landlords' animals, agricultural implements, houses, grain and other properties shall further appropriate the surplus animals, agricultural implements, houses, grain and other properties of rich peasants; and these shall be distributed to peasants lacking in these properties, and to other

poor people, and furthermore an equal portion shall be distributed to the landlords. The property distributed to each person shall be his personal property, thus enabling all the village people to obtain proper materials for production and for life.

Article 9. Methods for dealing with certain special lands and properties, provided as follows:

Section (a) Woods and hills, irrigation and waterworks, land in reeds, orchards, pools, waste land and other distributable land shall be divided in accordance with the ordinary standards for land.

Section (b) Great forests, great hydraulic engineering works, large mines, large pasture lands, large waste lands and lakes shall be administered by the Government.

Section (c) Famous sites and historic spots should be securely protected. Special libraries, antiques, works of art, and so forth, which are of historic or academic values, and which have been taken over shall be inventoried and turned over to the high government of the area.

Section (d) Ammunition, arms and those large quantities of money, valuables, and grain left over after satisfying the needs of the peasants shall be inventoried and turned over to the high government of the area for settlement.

Article 10. Methods for dealing with certain special questions in the distribution of the land, provided as follows:

Section (a) Poor peasants with only one or two persons in the family may be given land equivalent to that of two or three people by the village peasants meetings, in consideration of prevailing conditions.

Section (b) Rural labourers, individual professionals, and their families, in general, shall be given land equivalent to that of the peasants; but if their profession is sufficient for constant maintenance of all or most of their living expenses, they shall not be given land or shall be given a partial portion of land, as determined by the village peasants meetings and its committees in consideration of prevailing conditions.

Section (c) For all personnel of the People's Liberation Army, democratic governments all people's organizations whose home is in the countryside, they and their families shall be given land and properties equivalent to that of peasants.

Section (d) Landlords and their families shall be given land and properties equivalent to that of the peasants.

Section (e) For KMT army officers and soldiers, KMT government officials and personnel, KMT Party members and other enemy personnel, whose homes

are in rural areas, their families shall be given land and properties equivalent to that of the peasants.

Section (f) For all national traitors, collaborators and civil war criminals, they shall not be given land or properties. If their families live in the countryside, have not taken part in criminal activities, and are willing to cultivate the land themselves, they shall be given land and properties equivalent to that of the peasants.

Article 11. The government shall issue deeds to the ownership of the land given to the people, and moreover recognize their right to free management, buying and selling, and under specially determined conditions to rent out the land. All land deeds and all notes on debts from prior to the reform of the agrarian system shall be turned in and shall be null and void.

Article 12. The property and legal operations of industrial and commercial elements shall be protected from encroachment.

Article 13. For the sake of making the carrying through of the land reform thorough and complete, people's courts shall be established to try and punish all criminals who resist or violate the provisions of this law. The people's courts shall be organized from personnel elected by peasants meetings or peasants congresses and from personnel appointed by the government.

Article 14. During the period of the reform of the agrarian system, for the sake of maintaining the order of the agrarian reform and protecting the wealth of the people, the village pe-

sants meetings or their committees shall appoint personnel, by definite procedure to take necessary steps for carrying out the responsibilities of taking over, recording, liquidating and holding all transferred land and properties, to guard against destruction, damages, waste and corruption. The peasants unions shall forbid anyone from, for the sake of interrupting with equitable distribution, deliberately butchering animals; felling trees, destroying agricultural implements, irrigation and waterworks, buildings and construction works, or crops or other materials; and the act of thieving, seizing, secretly giving away to others, concealing, burying, dispersing, or selling their goods. Violators shall be tried and punished by the people's courts.

Article 15. For the sake of guaranteeing that all measures of the land reform shall be in accord with the will and interests of the overwhelming majority of the people, the government shall take the responsibilities for securing in earnest democratic rights for the people, securing full rights for the peasants and their representatives at all meetings freely to criticize and impeach all cadres of all kinds and levels; and full rights at all appropriate meetings freely to remove and change, and to elect all cadres of the government and peasants organizations. Anyone who infringe on the above democratic powers of the people shall be punished by the people's courts.

Article 16. In places where the land has already been equally distributed before the promulgation of this law, and provide that the peasants do not demand redistribution, the land need not be redistributed.

CONSTITUTIONAL PROBLEMS IN NETHERLANDS EAST INDIES

The emergence of the Indonesian Republic as a political reality in the East Indies presents the jurist, statesman and diplomat with the problem of the actual status of the Republic in International Law at the present time.

The pre-war legal structure of the Netherlands Kingdom.

It is important to remember that post-war events in Indonesia have not yet led to any substantial formal amendment of the Constitutions of the Netherlands Indies. The Kingdom of the Netherlands, according to the Fundamental Law (or Grandwet), revised in 1938, comprised the territories of the Netherlands, Netherlands Indies, Surinam and Curacao. The Grandwet reserved to the Netherlands Government supreme legal authority over the East Indies, but in reality, by delegated authority, the effective government of the East Indies was in the hands of the Governor-General, the Council and the Volksraad of the Indies.

In 1925, the Netherlands Legislature, in establishing a Constitution for the Indies, indicated the powers to be exercised by these three instrumentalities. Administrative authority was to be exercised by the Governor-General. Members of the Volksraad were chosen by a system of indirect election or by nomination. The Volksraad has, however, not met for some years: such Dutch authority as has been exercised in the Indies in the post-war period appears to proceed legally from the Dutch Lieutenant-Governor-General and the Netherlands Government.

Indonesian Republic

Within a week of the declaration of independence in August, 1945, Nationalist leaders in Java promulgated the Constitution of the Republic. This Constitution, in an important annex, provided for the establishment of a preparatory committee to regulate affairs during the transitional period preceding the implementation of the provisions of the new Constitution.

The preparatory committee in fact selected the first President and Vice-President of the Republic and exercised a great deal of political power. The chief provisions of the Constitution provide for the creation of a unitary, republican Indonesian state, for the establishment of a Congress of the People, and with the concurrence of Congress, for the vesting of legislative power in the President.

The Constitution attributes wide powers to the President. The President is Commander-in-Chief of the Indonesian Army, Navy and Air Force. He has power to declare war, to make peace, to proclaim martial law and in times of crisis to enact governmental provisions replacing the law. Pending the election of the People's Congress, the Council of Representatives and the Council of State, the President is to exercise their powers with the assistance of a National Committee. The President also is given power to appoint and to discharge Ministers.

The Constitution provides that the Congress of People of the Republic is to meet in the capital at least once in every five years. The Congress is to consist of members of a Council of regional territories or groups. The Constitution does not make specific provision for the organisation of this Council of Representatives but enacts that it should meet at least once a year. Provision is also made for the establishment of a Council of State to advise the President.

Indonesian Constitution

Several Articles of the Constitution are declaratory of basic human rights and duties. Article 29, using an Islamic formula, affirms that the Republic is based upon faith in the All-embracing God and guarantees to the people freedom to profess their own religion and to fulfil their religious duties.

Article 28 stresses the right of free assemblage and the right of freedom of expression, orally or in writing. Article 27 proclaims the equality of citizens before the law and affirms the obligation of all without exception to respect the law and the Government. Article 31 declares that every citizen is entitled to receive an education and section 2 of Article 27 that every citizen is entitled to work and to a reasonable standard of life.

Section 1 of Article 33 declares that the economy of Indonesia is to be organised cooperatively on the principles of the Family State. This Article also provides for the regulation by the state of important branches of production and for the control in the interests of the people at large of Indonesia's natural resources. Article 30 imposes on all citizens the duty of participating in the defence of Indonesia.

Dutch Proposals

During the course of the war the Netherlands Government several times indicated its intention of revising the Constitution of the Netherlands, with the object of allowing a substantial measure of autonomy to native peoples, both in the East and in the West Indies.

On December 6, 1942, Queen Wilhelmina stated that a conference would be called with the object of enabling the Netherlands, Indonesia, Surinam and Curacao to participate in making recommendations for the reform of the Constitution of the Netherlands Empire.

Some three years later the Netherlands Government proposed that it should enter into consultation with authoritative representatives of the Indonesians, elected from a wide variety of groups, to draft a structure for the Kingdom and Indonesia based upon a democratic partnership.

In April, 1946, the Netherlands Government announced, through Dr Van Mook at Batavia, that to be legal and internationally acceptable, constitutional reform could be of the Kingdom. However, in the twelve months following the Japanese surrender, the Indonesian Republic had consolidated its position, and the Netherlands Government decided that some alteration in the legal structure of the Dutch regime in the Indies was necessary.

In August, 1946, a Bill was introduced into the Netherlands Parliament providing for the establishment of a Commission-General for the Indies to consist of three members who would be appointed by the Minister for Overseas Territories, and the Lieutenant Governor General of the Indies. This Bill received Parliamentary approval, and on December 18, the Commission-General arrived in Batavia.

The effect of the Bill was to give the four members of the Commission-General extraordinary powers to continue the negotiations with the Indonesian leaders which had been proceeding for some time. The Lieutenant Governor-General nevertheless retained his general administrative authority.

British Mediation

Under the Chairmanship of the United Kingdom Special Commissioner in South East Asia (Lord Killearn), the Commission General entered into negotiations with a delegation representing the Indonesian Republic. From one point of view, these negotiations were designed to find a formula for reconciling the legal constitution of the Indies, as determined by Netherlands law, with the Constitution of the Republic, as framed by the Indonesian nationalists in August, 1945.

After the venue of the negotiations had been moved from Batavia to Cheribon (Linggardjati), the Dutch and Indonesian representatives made rapid progress towards reaching a common understanding. On November 15, 1946, representatives of both parties initialled a draft agreement, the main provisions of which were:

that the Netherlands should recognise the Government of the Republic of Indonesia as exercising de facto authority over Java, Sumatra and Madura;

that the Netherlands Government and the Government of the Republic should each appoint delegations to an organisation to ensure co-operation in implementing the agreement;

that the two Governments should co-operate in forming a new juridical political entity—a democratic State to be organised on a federal basis and to be known as the United States of Indonesia;

that the United States of Indonesia should comprise the Republic of Indonesia, a State of Borneo and a State embracing the Great East (Eastern Indonesia);

that the Kingdom of the Netherlands and the United States of Indonesia should form a Netherlands-Indonesian Union;

that this Union should have its own organisation to promote the joint interests of the Kingdom of the Netherlands and the United States of Indonesia, that "co-operation in foreign affairs" should be considered one such joint interest, and that all decrees relating to joint interests should be issued by the appropriate organs in the Queen's name;

that the two Governments should endeavour to establish the United States of Indonesia and the Netherlands Indonesian Union before January 1, 1949;

that the Netherlands Government should forthwith take action to obtain the admission of the United States of Indonesia as a member of the United Nations immediately after the formation of the Netherlands-Indonesian Union.

The Legal Position

The Netherlands Government has been careful to emphasise in repeated public statements that the Cheribon Agreement is not a constitution, but a Charter of Principles—not a juridical, but a political document. It points out that the juridical structure of the Netherlands Kingdom could only be altered by the complicated procedure laid down in the Netherlands Constitution.

ECONOMICS OF INDIAN UNION AND PAKISTAN

The transfer on August 15 of sovereign powers from the British Crown to the newly-created Indian Dominions—the Hindu state of the Indian Union, and the Moslem state of Pakistan—was a turning point in history, the political and economic significance of which is yet to be fully realized. Although independence has settled the problem of Anglo-Indian relations, which overshadowed other problems, it has created many new and complex difficulties. During two hundred years of British rule, India grew into a successful economic unit. Today, even without confusion and violence, the splitting up of this unit will call for difficult readjustments in both parts.

The Indian Union is economically by far the stronger and more advanced of the two Dominions. With a population of about 280 million and with most of the mineral resources, particularly huge coal and iron deposits, it has many of the elements necessary

The Netherlands Minister for Overseas Territories put his Government's view in the following words:—

A superficial judgment of the form of the draft agreement might lead to the rash conclusion that there is question of relations under international law.....The closer examination of the text will show, however, that the essential point is to ensure friendly relations between the peoples of the Netherlands and Indonesia, in voluntary co-operation, which will enable them to establish relations between the two peoples on a new basis.

In other words, the Dutch have taken full advantage of the fact that their former sovereignty in the Indies is universally recognised, and have been careful throughout the negotiations to take no action which might imply that they had acquiesced in the abrogation of their authority in the Indies. Meanwhile, Indonesian leaders do not appear to have bothered to any great extent with the formal requirements of international law, and appear to have acquiesced in the formal Dutch claim to the maintenance of their legal sovereignty.

It is a matter of some controversy among experts in international law whether recognition by the Netherlands of the Republic as exercising de facto authority over Java, Sumatra and Madura, amounts to de facto recognition of the Republic as a State in international law. The more general opinion appears to be that the Republic has not yet been accorded such de facto recognition nor does the Republic itself appear to have pressed for recognition de jure or de facto from other countries.

The two Dominions are not unlike business partners who, after a lifetime of common endeavour, have agreed to separate and are dividing their business. Many commissions and committees of experts have been set up to deal with the details of actual partitioning. The start was made by dividing the defence forces and administrative personnel. Partition of railway and of telegraph and telephone systems, now organized on an all-India basis, creates special difficulty, because both the Indian Union and Pakistan consist of two parts that are not contiguous.

Arrangements will have to be made, for example, for the two sections of Pakistan to have their through telephone and telegraph lines and to run their trains over some 1,000 miles of Hindustan (Indian Union) territory that separate them. Similarly, the Indian Union, to have access to eastern Assam, will have to use the railways and communication facilities of eastern Pakistan. Provision will have to be made for irrigation systems and electric power grids which overlap the new boundaries. Another involved and delicate problem will be the division of national and provincial debts, and the apportioning of gold and dollar assets as well as the £1.1 billion of sterling balances in London. A common currency will be used for the time being, but after April 1, 1948 Pakistan is expected to have its own notes and coinage.

New Economic Frontiers

Economically, the new frontiers will divide India much as the Austro-Hungarian Empire was divided nearly thirty years ago. A part of the huge internal trade, which flowed among various sections of India and contributed so much to her economic self-sufficiency, will be foreign trade, subject to controls and tariff barriers. Long-established trade channels will be disrupted, and for a time the exchange of goods may be curtailed, to the detriment of both parts. It remains to be seen to what extent the energy and zeal, which both the Hindus and Moslems bring to the development and modernization of their two countries, can overcome the economic handicaps of separation.

Different parts of India have been unevenly developed economically. The great irrigation and hydro-electric power projects, located chiefly in Pakistan, were made possible only by a diversion of the centrally collected taxes from the richer and more advanced provinces such as Bombay. Unless Pakistan has access to foreign capital or permits Hindu capital to continue to develop its resources, progress in bringing more land under cultivation by irrigation will be retarded.

This, in view of the rapidly expanding population and consequent need of more food, would injure both the Indian Union and Pakistan.

Partition will also mean difficulties for the jute cultivators and the burlap industry, which normally are responsible for the creation of a large part of India's foreign exchange earnings. Most of the jute growing districts are in eastern Pakistan. On the other hand, Calcutta, with its jute processing mills, shipping facilities, and business houses specializing in jute and burlap trade, remains in the Indian Union. Both Dominions will want to share in foreign exchange earnings. The prospects are for a double set of export controls and possibly export duties also. How the problem will be settled without some injury to cultivators and to the mills is difficult to foresee.

Drawings of new frontiers will probably affect also the Indian cotton textile industry. Uneconomic duplication will occur if Pakistan insists on developing its own cotton mills.

Economics of the New States

An idea of the economic resources of the two new Dominions can be had from the table below.

Resources of Indian Dominions

	Indian Union	Pakistan
<i>Agricultural Resources</i>		
Jute (thousand acres)	984	1,404
Cotton (thousand acres)	13,770	1,630
Tea (thousands acres)	641	97
Rice (thousand tons)	17,229	5,376
Wheat (thousand tons)	4,200	2,785
Sugar (thousand tons)	2,631	517
Peanuts (thousand tons)	2,274	—
<i>Mineral Resources</i>		
Coal (thousand tons)	25,080	198
Petroleum (thousand gallons)	65,969	21,113
Chromite (thousand tons)	5	22
Copper ore (thousand tons)	288	—
Manganese ore (thousand tons)	766	—
Magnesite (thousand tons)	28	—
Mica (thousand cwt.)	109	—
<i>Industrial Plants—number</i>		
Cotton mills	380	9
Jute mills	108	—
Sugar mills	156	10
Iron and steel mills	18	—
Cement factories	16	3
Paper mills	16	—
Glass works	77	2
<i>Other</i>		
Railway mileage (thousand miles)	26	15
Potential water power (thousand k.w.)	1,343	2,847

for the making of a great industrial nation. It retains more than 90 percent of the industrial capacity of the old India, including the huge Tata Iron and Steel Works, and most of the new industries, such as chemicals, developed during the war. Its share of the old India's national income and government revenues will likewise be far greater than its 75 percent share of population would indicate. It will retain also most of the capital resources. On the other hand, although still overwhelmingly an agricultural country, the Indian Union will have a bigger food deficit than before, and for this reason will be dependent upon Pakistan's surpluses of wheat, rice, and other farm products.

Pakistan, together with the Native States and the frontier areas, is estimated to have a population of around 100 million, making it the largest Moslem country in the world. Economically the two parts of Pakistan are very different from each other. The western section is based largely on wheat and cotton cultivation. The

eastern section, now called Bangistan, depends chiefly on jute, rice and tobacco. Both sections will be vulnerable to weather and world prices for their cash crops; their budgets are likely to become an annual gamble in rains.

For a long time, therefore, the two sections of Pakistan will be far more dependent economically upon the Indian Union than upon each other. Industrialization will require outside capital to develop coal and petroleum deposits, and the potentially great water power resources.

Trade Prospects

Apart from a certain amount of confusion and uncertainty, as illustrated by the situation in jute and burlap, no immediate drastic changes in foreign trade with India seem likely to occur. The economic controls now in force will remain identical in the two Dominions until March 1, 1948 when the present standstill agreements expire. There is to be no interference with passenger travel and the flow of

internal trade during the next six months. Import regulations of the Indian Union and Pakistan are to remain unchanged to March 1, 1948. From now on, applications for import licences will have to specify the port of entry.

The bulk of foreign trade will be with the Indian Union, but this does not mean that trade with Pakistan will be unimportant. The leading exports from Pakistan will be jute, followed by carpet wool, carpets, goat skins, cashmere goat hair, bristles, and various inedible animal products.

The partition of India comes at the time when trade between the world and India is breaking all records. Since the war, India has turned to the U.S. for foodstuffs and for capital goods and other industrial products such as motor vehicles, machinery, and electrical appliances. In turn, the U.S. in the absence of European specialties, are buying from India more craft wares, such as silks, brocades, carpets, and brassware.

